



CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

CSR Strategy

CSR STRATEGY

Our global business brings people, economies and cultures together, and drives economic growth and social progress. We assume our responsibilities and take action to reconcile growth with environmental protection, social value and local development at our hubs and our destinations. Therefore, we integrate Corporate Social Responsibility in our business and operations.

The Group's commitment to CSR is laid out in our Corporate Social Responsibility Statement, [Social Rights and Ethics Charter](#) and Climate Action Plan.

Our CSR strategy is centered around four pillars: environment, customer experience, employee journey, and local development. These pillars comprise the outcomes of our business model, integrated in our value creation strategy. With the initiatives and activities centred toward these outcomes, we have a positive impact on society and contribute to the achievement of UN Sustainable Development Goals.

Environment: We aim to reduce our environmental footprint by improving our operations and processes, partnering and innovating in the supply chain and by mobilizing our staff and the industry.

Customer experience: We incorporate our CSR commitments into the customer experience by offering high quality products and services. Together with our suppliers and partners, we aim to take sustainability into account to create memorable experiences for our customers.

Employee journey: We aim to create a safe and motivating environment for our employees. We are continually developing skills to ensure the professionalism and employability of our staff, and to achieve the best results for our business.

Local development: We strive to add economic and social value in the areas where we operate. By working together with local partners, the Group creates new business opportunities and supports projects that contribute to future generations and local communities.



NATIONAL AND INTERNATIONAL COMMITMENTS

We are committed to national and international declarations and guidelines that promote fundamental rights:

- The Universal Declaration of Human Rights
- The Charter of Fundamental Rights of the European Union
- The International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work
- The Organization for Economic Cooperation and Development's (OECD) guiding principles.



As a signatory of the United Nations (UN) Global Compact, the Group supports their principles and encourages partners and suppliers to make the same commitments.

Air France is a signatory of the Caring for Climate initiative led by the UN Global Compact and the UN Environment Program. In 2017, Air France, with around 60 partners, trade unions, companies and international organizations, joined the Global Compact "Global Deal" to fight against inequalities, encourage social dialogue and promote a more equitable globalization.



In 2014, Air France signed the Paris Climate Action Charter.



KLM has been working with UNICEF the Netherlands on applying the Children's Rights and Business Principles (CRBP).

Commitments to sustainable procurement:

- Air France signed the Charter for Public Companies in Favour of Innovative SMEs.
- KLM signed the Sustainable Supply and Corporate Responsibility Manifesto that aims to boost the market for sustainable products and services.

We are members of organizations which gather medium size and international companies and promote SDGs. Air France is a member of the Global Compact Advanced Level Working Group. KLM is part of the Dutch Sustainable Growth Coalition, a conglomerate of Dutch multinationals from different sectors who are leaders in the field of sustainability. Coalition members participate in various partnerships that contribute positively to one or more SDGs.

SUSTAINABILITY IN BUSINESS AND OPERATIONS

With the understanding that Corporate Social Responsibility is not a stand-alone subject, we aim to integrate it in our business and operations. All airlines of the Air France-KLM Group adopted the same “Takes Care” motto for their CSR actions.

In 2018, we will refocus our CSR ambitions in line with the Group Strategic Plan and Trust Together, taking the value creation model, the materiality analysis and the UN Sustainable Development Goals into account.

CSR GOVERNANCE

AT GROUP LEVEL

BOARD OF DIRECTORS AIR FRANCE-KLM

- Approves the strategic orientation of the Group's activities and ensures implementation
- Reviews management reports, which provide information, among other subjects, on CSR performance
- The audit committee monitors the effectiveness of the Group's internal control and of the Group's risk management systems

GROUP EXECUTIVE COMMITTEE

- Validates the Group's CSR policy, which is included in the annual Group Strategic Framework
- Reviews the CSR strategy and performance annually: an EVP Corporate Secretary in charge of CSR, Compliance and Human resources
- Approves the annual audit plan

INTERNAL AUDIT

- Independently assesses the effectiveness of the risk management system and performs assurance audits

AT AIRLINE LEVEL

AIR FRANCE BOARD OF DIRECTORS, KLM BOARD OF MANAGING DIRECTORS AND SUPERVISORY BOARD

- Approve the strategic orientation and CSR policy and ensure implementation

EXECUTIVE COMMITTEES AIR FRANCE AND KLM

- Determine the CSR strategy and policy and associated risks and opportunities
- Integrated Management System Review at Air France, Integrated Safety Management System Review at KLM
- Safety Review Board at Air France and KLM

CSR DEPARTMENTS

- Executive Vice President in charge of CSR in each company, member of the Executive Committee
- Define and implement policy and objectives
- Coordinate the Environmental Management System

BUSINESS, OPERATIONS AND SUPPORT DEPARTMENTS

- Integrate CSR policy and objectives
- Ensure the responsibility and monitoring of the Quality Safety Environment Systems
- Manage emergency and crisis situations
- Implement or suggest innovation programs improving work processes, efficiency and safety, or other types of CSR performance

OBJECTIVES AND MANAGEMENT INDICATORS

At Air France the annual Integrated Management System performance contracts are signed by the Executive Committee every year. For each division, these contracts enable the Trust Together priorities to be defined within the Group, thus allowing us to consolidate all the action plans into a single support scheme and to promote major projects and innovations. As real “roadmaps” for the year, they also reflect the managerial commitment with the dual signature of the division’s EVP / VP and Air France CEO.

They include the content of the action plans and the associated objectives, in terms of flight safety, health and safety at work, customer quality, operational performance, economy, human resources, environment and sustainable development, food safety, security and IT systems.

Progress made on the objectives and the annual action plans is monitored yearly within the Integrated Management System.

In 2016, two new CSR objectives were added to the HR contracts:

- Promote diversity and access to positions of responsibility to women. Objective: To increase by 5% the rate of female managers by 2020 (ground staff).
- Encourage the employment of people with disabilities. Objective: To increase the employment rate of persons with disabilities to reach 6% by 2020 (corporate target including direct actions and purchases from the protected sector). This objective was achieved by the end of 2017.

Environmental objectives for 2020 are:

- Aircraft energy efficiency: 20% reduction in CO₂ emissions compared to 2011, including market-based measures (g. CO₂ /passenger / km).
- Ground energy efficiency: 20% reduction in overall energy consumption compared to 2011 (MWh/m²). Having reached the 2020 target in 2017, Air France has set itself a more ambitious target.
- Waste recycling and recovery: 100% of non-hazardous waste and 60% of hazardous waste recovered.

At KLM, ambitions for 2020 and beyond were refocused in 2016, as part of the KLM “Moving your World” approach. We create the optimal working climate, aiming to integrate sustainability in our operations, adding value to the customer experience with responsible products and services, and contributing to the central position and objectives of sustainable development.

- Energy: a 20% reduction in CO₂ emissions compared to 2011, including market-based measures (g.CO₂/ passenger / km).
- Waste: an objective of 50% less residual waste (relative to 2012) in 2025 by innovating towards more efficient processes in order to reduce our environmental footprint.
- Responsible Catering: KLM takes care of a responsible catering by choosing products with integrity.
- Community Involvement: local support at the hubs, in the areas related to our operations and elsewhere, contributing to Sustainable Development Goals.

The energy efficiency target for 2020 are common Air France and KLM objectives. Other more local CSR aspects are specified and targeted for each airline separately, due to the specific local influence factors.



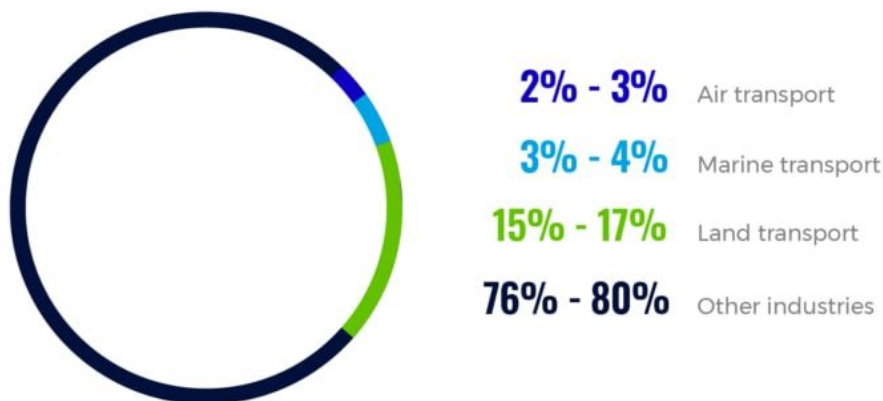
CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

Environment

CLIMATE CHANGE POLICY

Aviation's contribution to man-made greenhouse gas emissions is between 2 and 3%. However, with the growth in global air traffic, over the coming decades, if no action is taken, aviation's contribution will increase. We are aware that aviation impacts the climate, and because of that Air France-KLM has a Climate Action Plan to reduce our impact on climate change.

SHARE OF TRANSPORT IN GLOBAL MAN-MADE CO₂ EMISSIONS



SOURCE: GIEC, STERN REVIEW

Air France-KLM's Climate Action Plan embodies our strategy for further reducing our impact on climate change. The plan is composed of six main mitigating priorities, on the basis of which we identified our targets and established our actions. Our target in reducing our carbon footprint is - 20% CO₂ emissions per passenger kilometer in 2020.

OUR CLIMATE ACTION PLAN

- Pursuing fleet modernization and contributing to aeronautics research.
- Mobilizing all the Group's internal and external players around ambitious action plans enshrining eco-design principles.

- Promoting the emergence of sustainable alternative biofuels for aviation and research into renewables.
- Supporting NGO-led environmental programs.
- Giving customers information on their travel-related CO₂ emissions and the opportunity to offset these.
- Supporting the implementation of the global climate agreement (CORSIA) in which the aviation sector would make a just and equitable contribution.

In 2017, by implementing the measures of our Climate Action Plan, we achieved:

- An average fuel consumption of 3.30 liters per passenger (per 100 km)
- An average carbon emission of 82 grams of CO₂ per passenger (per km)

INDUSTRY COMMITMENT

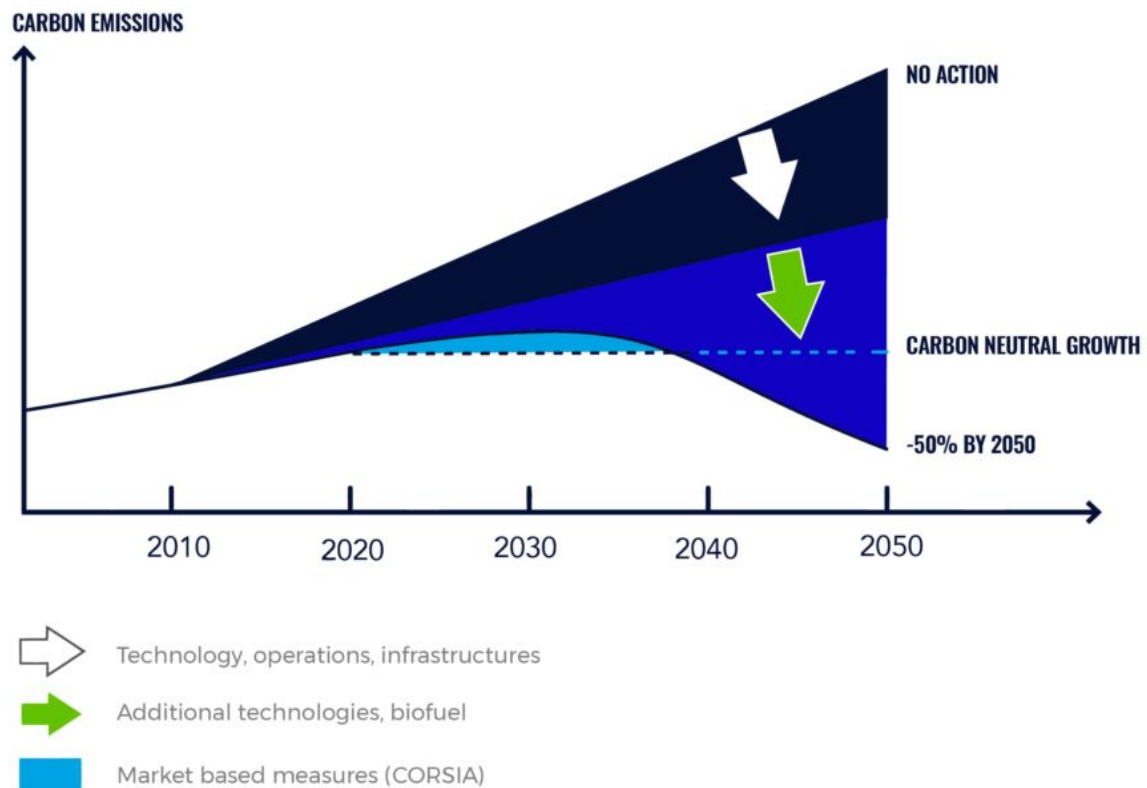
In 2009, the International Air Transport Association (IATA) set an ambitious worldwide commitment to reduce CO₂ emissions of air transport:

- 1.5% average annual fuel efficiency improvement until 2020
- carbon neutral growth from 2020 onwards
- a 50% reduction in net aviation CO emissions by 2050 (relative to 2005 levels)

We endorse these targets and support the implementation of CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) to achieve them. This global market-based mechanism (MBM) addresses any annual increase in total CO₂ emissions from international civil aviation above 2020 levels. CORSIA aims to supplement the basket of mitigation measures already deployed by the international aviation industry, which includes technical and operational improvements, together with progress on producing and using sustainable alternative biofuels for aviation.

In the run-up to the COP 21 Conference in 2015, Air France-KLM reaffirmed its 2020 objectives and, together with Aéroports de Paris and the GIFAS association (Groupement des Industries Françaises Aéronautiques et Spatiales), two other major players in French air transport, signed a [joint declaration](#), committing to reducing their greenhouse gas emissions, improving their energy consumption and developing biofuels.

MAPPING OUT THE INDUSTRY COMMITMENTS



CLIMATE CHANGE ADAPTATION MEASURES

To adapt to already occurring consequences of climate change such as more frequent extreme weather events, Air France-KLM has the policy to ensure safe operational and passenger handling conditions and regularly conducts comprehensive risk analyses to optimize those.

Due to the Group's large network and diverse fleet composition, we are accustomed to operating under different weather conditions and are relatively flexible in adapting flight schedules when necessary. We work together with airports to ensure safe operational and passenger handling conditions. When necessary, we deploy commercial measures to enable customers to defer their travel if they so wish, or change their destination.

CLIMATE RESEARCH

Since 2013, Air France has participated in the European IAGOS project (In-service Aircraft for a Global Observing System) by carrying atmospheric measuring equipment on board an Airbus A340.

IAGOS is a European Research Infrastructure, linked with CNRS (Centre National de la Recherche Scientifique), conducting long-term observations of atmospheric composition, aerosol and cloud particles on a global scale from commercial aircraft of internationally operating airlines. The data

collected is made available to international meteorological centers and scientists worldwide, which is particularly useful for studying the carbon cycle and verifying CO emissions.

In 2017, Air France strengthened its partnership with CNRS by equipping a second aircraft (A330). This decision has enabled the expansion of the atmospheric monitoring system and the coverage of the geographical network on which the measurements are done.

CARBON FOOTPRINT

We aim to minimize our impact on the environment, and have set the target to further reduce CO₂ emissions by 20% by 2020. To achieve this ambition, we focus on fleet renewal, improving operational efficiency, promoting and using sustainable aviation fuels, and carbon offsetting.

OUR AMBITION 2020



**AIR FRANCE-KLM
REDUCE CO₂ EMISSIONS BY 20%**

COMPARED TO 2011 INCLUDING
MARKET-BASED MEASURES
(G. CO₂ / PASSENGER / KM)

OUR RESULTS 2017



3.30 LITERS / PASSENGER / 100 KM



82 G. CO₂ / PASSENGER / KM

COMPARED TO 2011

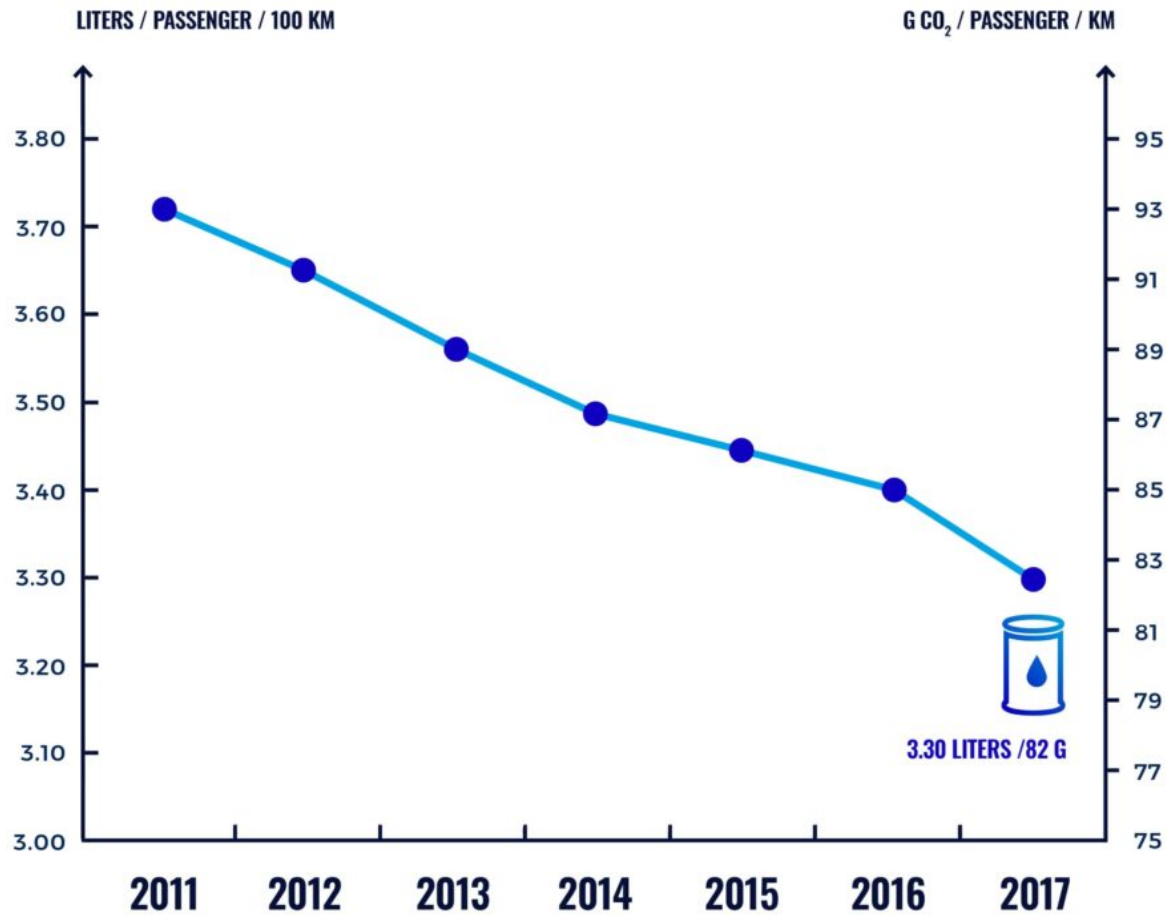


**11% REDUCTION
(OPERATIONAL
IMPROVEMENT)**

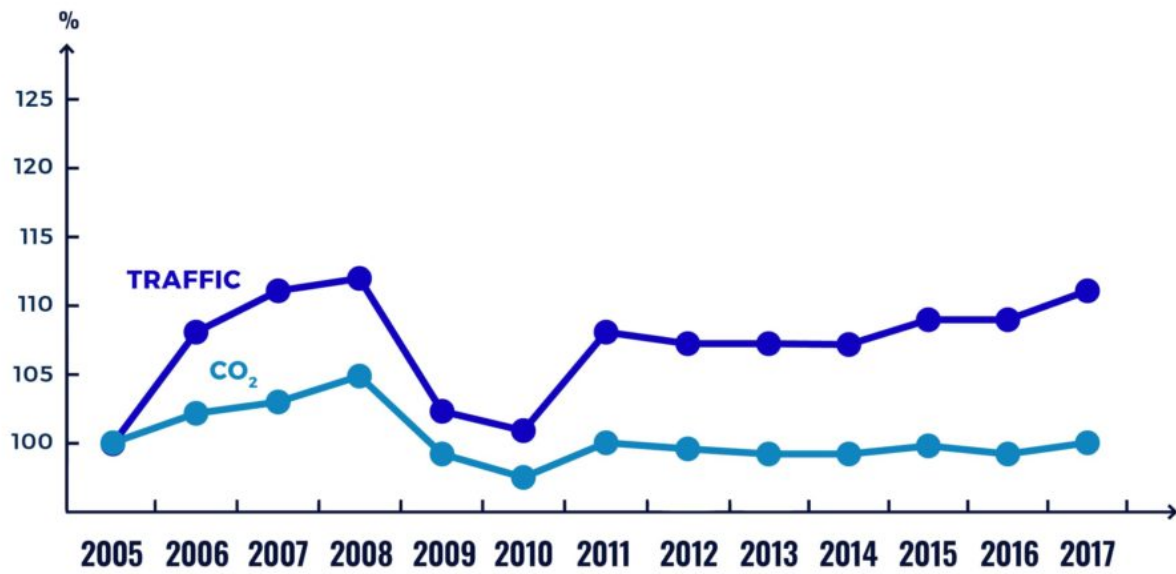


**18% REDUCTION
(INCLUDING MARKET
BASED MEASURES)**

GROUP FUEL CONSUMPTION



CO₂ EMISSIONS AND TRAFFIC



BREAKDOWN OF CO₂ EMISSIONS FOR FLIGHT AND GROUND OPERATIONS



0.2%

Ground operations



21.8%

Short and medium haul



78%

Long haul

The most significant source of direct greenhouse gas emissions (GHG) generated by Air France-KLM's activities is linked to the flight operations which represent 99.8% of the Group's total direct emissions.

Reducing our CO₂ emissions goes hand in hand with fuel use reduction. Therefore, one of the focus points in our environmental policy is to reduce the use of fuel. Operating with more fuel-efficient aircraft, implementing weight reduction measures on board, optimizing flight routes and improving flight operations all contribute to the reduction of fuel use.

Secondly, we believe that the use of sustainable alternative fuels is an important factor in further reducing our CO₂ emissions. Consequently, both Air France and KLM have policies in place that stimulate the development and use of those. Currently, there is not enough supply to operate fully on sustainable alternative fuels. Therefore, carbon offsetting is a mid-way option to reduce our environmental footprint.

FUEL USE REDUCTION

Fleet modernization

Our fleet in 2017

Aircraft: 552

Average age: 10.9 years

	AIR FRANCE GROUP			KLM GROUP		
	AVERAGE AGE (YEARS) 11.8	AIRCRAFT TYPES	NUMBER OF AIRCRAFT 337	AVERAGE AGE (YEARS) 9.5	AIRCRAFT TYPES	NUMBER OF AIRCRAFT 200
SHORT AND MEDIUM-HAUL	13.0	A318, A319 A320, A321	118	11.2	737-700 /-800 / -900	50
LONG-HAUL	12.0	A380, A330-200 A340-300 777-200/-300 787-9	105	10.7	A330-200/-300 777-200/-300 747-400 787-9	65
CARGO	8.9	777F	2	17.7	747-400ERF/BCF	4
REGIONAL FLEET AF: HOP! KLM: CITYHOPPER	12.2	ATR, Embraer, Bombardier	83	4.9	EMB 175, EMB 190	42
REST OF THE FLEET TRANSAVIA FRANCE TRANSAVIA NL	5.4	737-800	29	9.4	737-700/-800	39

OPERATIONAL FLEET AT DECEMBER 31, 2017

By investing in a modern, more energy- and fuel-efficient fleet, we are improving both our economic and environmental performance. Over the coming years, the modernization of the fleet will be reflected in the retirement of Air France's A340 and KLM's B747-400s and their replacement with B787-9s and 10s, and the entry into revenue service of the first A350-900s with Joon, planned for 2019. For its part, Transavia France and Netherlands will see its fleet adapted to the growth market in the leisure segment.

In 2017, we pursued our pro-active policy of fleet renewal and modernization strategy:

- Air France: replacement of three A340s by four new B787-9sn and of three old generation A320s by two new A320 Sharklets.
- KLM: reinforcement of the B787-9 fleet to 10 aircraft, retirement of four B747-400 and introduction of two new B777-300s.
- HOP!: replacement of three ATR42/72-500s by one ATR72-600.
- Transavia France: delivery of four new B737-800s.
- KLM Cityhopper: retirement of the last 11 Fokker 70s, replaced with eight new Embraer 175s.



(For more information on Air France-KLM's fleet, see [Registration Document 2017, chapter 2.6.](#))

Our fuel savings plans

We identify and implement all possible fuel saving measures, subject to strict rules for flight safety. In each airline of the Group, all the departments are involved in the Fuel Plan, so that the Group can improve its energy efficiency and reduce its carbon footprint.

By analysing flight performance, the Fuel Plan aims to reduce fuel use through various projects, focusing on: fuel policies, fuel standards, accurate planning information, route optimization, and weight reduction.

At Air France, the Flight Efficiency Board management structure has implemented fuel consumption management targets, particularly for "green procedures", and fuel loading. A total of 20,000 tonnes

of fuel were saved in 2017, corresponding to 60,000 tonnes of CO₂ avoided.

At KLM, a total of 10,000 tonnes of CO₂ were saved by KLM in 2017 through this Fuel Savings Plan.

Weight reduction

The lighter an aircraft is, the less fuel it consumes. All Air France-KLM departments are working to reduce weight onboard. In 2017, we achieved the following:

At Air France:

- The medium haul fleet was fitted with new lighter seats in 2016 (A319, A320) and in 2017 (A321).
- Twice a year, flights to new destinations are analyzed in order to optimize the quantity of water onboard. The need is calculated on the basis of an average hourly consumption per passenger.
- The onboard materials are chosen and adjusted according to their cost, their resistance and their weight, in order to reduce fuel consumption. For example, it is the case for dishes, trolleys, etc.
- At the initiative of crews, communication with pilots has been stepped up regarding the reduction of the amount of additional fuel loaded on board aircraft.
- On the long-haul A330 and A340 aircraft, the loading of drinking water has been optimized (duration of flights, average load factors), as it had already been done on 777s and A380s. This new phase will enable a 375 tonnes of annual saving in fuel.

At KLM:

- KLM Inflight's efforts to reduce the weight of in-flight products enabled a CO₂ reduction of around 13,500 tonnes in 2017. This includes reducing the weight of onboard products, such as cargo and cockpit paperwork, spare magazines, galley equipment, and carrying smaller stocks of liquids.





Route optimization

Improvements in fuel efficiency are made through the optimization of routes and flight paths, the reduction of aircraft waiting times and optimized altitudes. These were the results in 2017:

- Air Traffic Control (ATC)'s impact on Air France Group's fuel consumption has been estimated at 6%, or around 70,000 tonnes per year. In 2017, Air France worked with the Italian ATC with the goal to operate more direct routes between France and Italy, thus achieving fuel savings. The new flight plan software Air France has been using since 2015 has enabled the optimisation of fuel consumption for the company's flights. The opening of new spaces and the progressive passing through free routes enables us to optimize the fuel consumption even more.
- KLM's route optimization efforts resulted in a CO₂ reduction of approximately 4,500 tonnes.

Optimizing flight operations

Pilots of the Group are trained to apply the most fuel-efficient procedures possible: flight plan precision, speed adjustments and optimized procedures, and, on the ground, taxiing with one engine. In 2017:

- Air France implemented actions to improve the forecast of reference flight times, taking into account the most favorable and most unfavorable conditions (mainly weather/wind and taxiing). These actions have improved the punctuality and reduced fuel consumption by limiting the need for acceleration.
- KLM's implementation of new route optimisations and improved aircraft performance, saved around 6,000 tonnes of CO₂ emissions in one year. The largest fuel saving projects involved the implementation of various route improvements in China and the recontouring of fan blades on the aircraft to optimise engine fuel consumption.

SUSTAINABLE AVIATION FUEL

Sustainable alternative biofuels constitute one of the most promising approaches for reducing CO₂ emissions from aviation. They are key to achieving Air France-KLM's CO₂ emission reduction targets as well as those of the aviation industry as a whole. Unlike other forms of transportation, commercial aviation industry has no alternative to fossil fuels and, moreover, no ground-breaking technologies are envisaged for commercial aviation in the coming decades.

In 2017:

561 flights on sustainable biojet fuel (operated by KLM)

CARBON OFFSETTING

European trading system

Since 2012, the Group has been subject to the application of the European Emission Trading Scheme for greenhouse gas emission quotas (EU-ETS).

The EU-ETS scope is limited to intra-European flights and is to remain within these limits until the end of 2023, following the decision made by the European Commission at the end of 2017. The EU-ETS should be considered a first step towards a global system whose main principles were approved by ICAO in October 2016.

In 2017, Air France, KLM, Transavia, HOP! and KLM Cityhopper purchased emission allowances equivalent to 3,014,255 tonnes of CO₂. Out of this, we estimate that just 2,404,713 tonnes will contribute to actually reducing emissions beyond the ETS threshold. Of the remainder, 15% was used in additional bidding as part of the EU's ETS system and 3% was allocated to a reserve.

If we take into account the economic measures above the ETS cap, in addition to the operational improvement measures of 11%, our total efficiency improved by 18% in 2017 (g.CO₂/passenger/km) compared to 2011, getting closer to our 20% target for 2020.

As not all emission allowances are used in a way to comply with the collective cap, the environmental integrity of EU ETS could therefore be considered limited, as it does not lower our carbon footprint in the most cost-effective way.

CO₂ offsetting service for our customers

Air France and KLM also offer a CO₂ offsetting service for their customers on a voluntary basis. We provide CO₂ emission calculators on our websites that determine CO₂ emissions of a passenger, based on the distance flown and the fuel-efficiency data of our aircraft.

Air France works with the GoodPlanet Foundation's Solidarity Action Carbon Program for the financing of carbon offsetting projects aimed at promoting renewables to replace non-renewable energies in Peru, Bolivia and India, and implementing waste recycling projects in Madagascar.

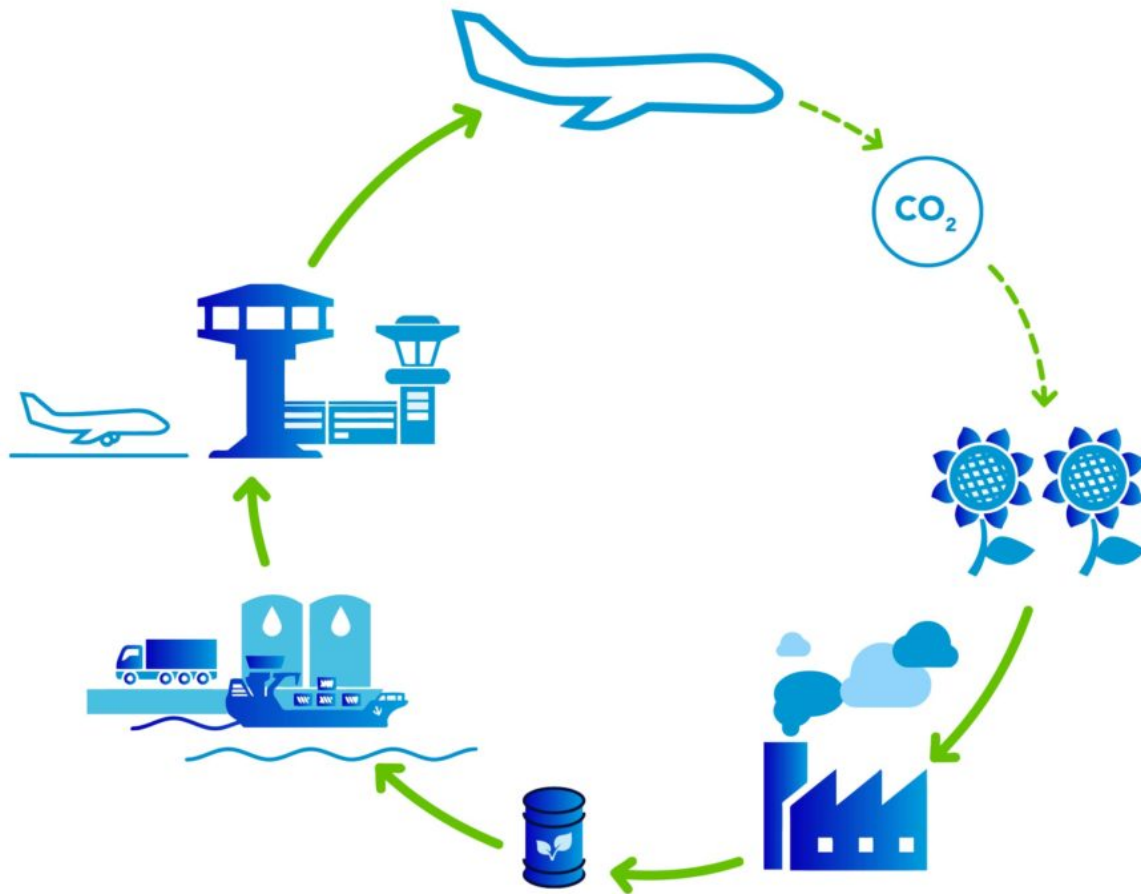
At KLM, all customers' contributions will be directly invested in the Gold Standard for the Global Goals-certified carbon offsetting projects. In the past, these contributions were invested in clean cookstoves project in Mali, Kenya and Ghana. Since October 2017, revenues go to the "CO₂OL Tropical Mix" project in Panama that focuses on planting new trees, maintaining existing forests and supporting the local community. The number of passengers taking part in the CO2ZERO program is small, but growing. In 2017, 60,000 passengers travelled carbon neutral via KLM CO2ZERO. On top of our operational improvements and mandatory offsetting, since the start of the program in 2008, KLM reached almost 260,000 tonnes of total CO₂-savings by voluntary offsetting.



SUSTAINABLE BIOFUELS

Air France and KLM have shown that flying on biofuel can be done both safely and sustainably. Using biofuel on a large scale can mean up to 80% less CO₂ emissions, compared to conventional fuel.

Our ambition is to stimulate the biofuel market, whilst taking strict environmental, social and economic criteria into account. Air France and KLM will continue to support partnerships with both corporate clients and suppliers, airports and logistic partners, industrial partners and governmental parties to increase supply volumes for bio-jet fuel.



SECURING STRICT SUSTAINABILITY CRITERIA

The use of different types of renewable feedstock is encouraged, provided that they meet the stringent sustainability criteria. These include substantial reduction in CO₂ emissions, a minimal impact on biodiversity, no competition with food production or the availability of food resources, and a positive impact on the social development of local communities.

To ensure sustainability of the feedstock, Air France and KLM joined the Roundtable on Sustainable Biomaterials (RSB) in 2008 as one of the founding members of the Sustainable Aviation Fuel Users Group (SAFUG):

- More than 30 major airlines have come together to align sustainability policies for biofuels.
- The RSB standard is included in the European Commission's Regulation (RED) and was recognized by, amongst others, WWF, IUCN, and NRDC as best in its class.

KLM uses SkyNRG's independent Sustainability Board, which includes WWF, Solidaridad, and Energy Academy Europe, as an advisory platform for sustainability issues pertaining to the supply of biofuel.



SUPPORTING REGULATORY INCENTIVES AND RESEARCH

Air France and KLM are members of working groups supporting regulatory incentives and research that stimulates the market for sustainable aviation fuel.

A few highlights of our efforts are:

- Air France and KLM are actively participating in the Advanced European Biofuel Flightpath initiative, which is co-chaired by KLM.
- Air France and KLM are members of the ART Fuels Forum. Created and financed by the European Commission, this forum of experts aims to shape strategies and policies for market deployment, and examine the conditions for promoting alternative sustainable biofuels, notably in the field of aviation. It brings together EU policy makers, fuel production and transport consumption stakeholders, and the main international corporation players, to facilitate the elaboration of policies aimed at reducing the barriers to the deployment of biofuel development.
- KLM has continued its collaboration to scale up the production of sustainable biojet fuels in the Netherlands in the joint initiative BioPort Holland. The Dutch government is committed to incentivize the biofuel market. The Air Traffic Control and one of the key technical universities for exploring more sustainable aviation, TU Delft, have joined the KLM Corporate BioFuel Program to increase the demand of sustainable biofuels.
- KLM and the government of the Republic of Costa Rica have signed a Letter of Intent to start a feasibility study on sustainable aviation fuel operations in Costa Rica. The study will give special attention to the production, certification, distribution and funding of sustainable aviation fuel. The collaboration should include sharing of best practices, development of joint projects and sharing of experiences and expertise.
- KLM is partner in the Dutch-based Climate-KIC and has participated in European RenJET and Biorefly project, all of which are initiatives that aim to accelerate the de-carbonization of aviation through the development and production of sustainable aviation fuels (in Europe). Project Direct

Supply Line (RenJET II) is a follow-up project that builds on the lessons learned and tools developed by RenJET and focuses on initiating additional jet fuel production supply chain(s) in Europe.

- Air France is a member of CORAC (Civil Aviation Research Council) and participates in the Ini-FCA (Future Alternative Fuels Initiative), led by the French Civil Aviation Authority, which is working towards the production of 200,000 tonnes of biofuel in France by 2020.
- During the Paris Airshow at Le Bourget, in June 2017, and within the framework of the Paris Air Lab, Air France joined forces with the ATAG (Air Transport Aviation Group) to promote, together with the French Civil Aviation Research Council, greater knowledge of biofuels for aviation and thus raise public authority awareness of the need to support the French biofuels industry.
- Air France participated at the International francophone Airport summit in November 2017 and at the ICAO SAF meeting, providing its expertise on aviation biofuel to the French Civil Aviation Authority (DGAC).
- Air France joined the National Alliance for Coordination of Research on Energy (ANCRE) in 2017, and made the commitment to coordinate and reinforce the effectiveness of biofuel research. It is also actively participating in the establishment of the French national road map on aviation biofuels.
- In line with the commitment made, Air France unveiled its Green Deal (Engagement for Green Growth - Engagement pour la Croissance Verte - ECV) in December 2017. Signed by 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), ECV aims to promote the emergence of sustainable aviation biofuel industries in economically viable conditions that fully integrate circular economy principles. The idea is to support and rapidly create the conditions for implementing these industries in France.

BIOFUEL FLIGHTS

For a period of two years, between 2014 and 2016, within the framework of the Lab'Line for the Future initiative and with the support of Corporate French Companies, Air France operated multiple biofuel-powered flights between Toulouse and Paris-Orly, and between Nice and Paris-Orly.

- Lab'line was awarded the Energy Climate Trophy 06 by the French Alpes-Maritimes department, for its ability to gather different regional partners in efforts directed towards the reduction of their carbon footprint.
- In order to share the operational lessons and best practices that tested successfully in the biofuel program, Air France published a bilingual [White Paper](#) on Lab'line.







For the period of three years (until the end of 2018), KLM operates all its flights from Los Angeles to Amsterdam partly with sustainable biofuel (more than 500 flights per year).

- This biofuel blend is made from used cooking oil produced by California-based AltAir Fuels, at its retrofitted refinery. This is the first bio-refinery worldwide that produces sustainable aviation fuels on a commercial scale.
- In 2017, KLM's 561 flights from Los Angeles to Amsterdam were operated partly with sustainable biojet fuel.

This continuous supply is enabled by KLM Corporate BioFuel Program (CBP). Together with its CBP-partners, KLM has been pioneering the market for sustainable biofuels since 2011.

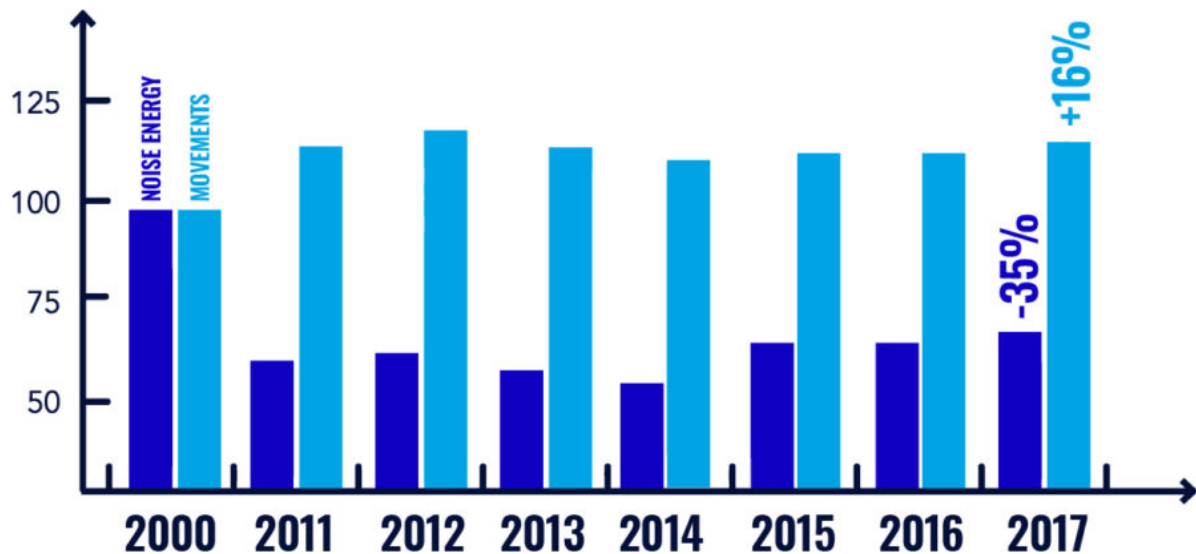
NOISE HINDRANCE

Noise is one of the main themes of Air France-KLM's environmental policy. We strive to reduce our impact by taking the necessary measures in dialogue with our local communities.

While accommodating the increasing customer demand for mobility, one challenge for the aviation industry is to maintain noise hindrance at an acceptable level for those living near airports.

35%: noise reduction compared to 2000 despite a 16% increase in movements of the Group.

AIR FRANCE KLM GLOBAL NOISE ENERGY INDICATOR



REDUCING NOISE AT SOURCE

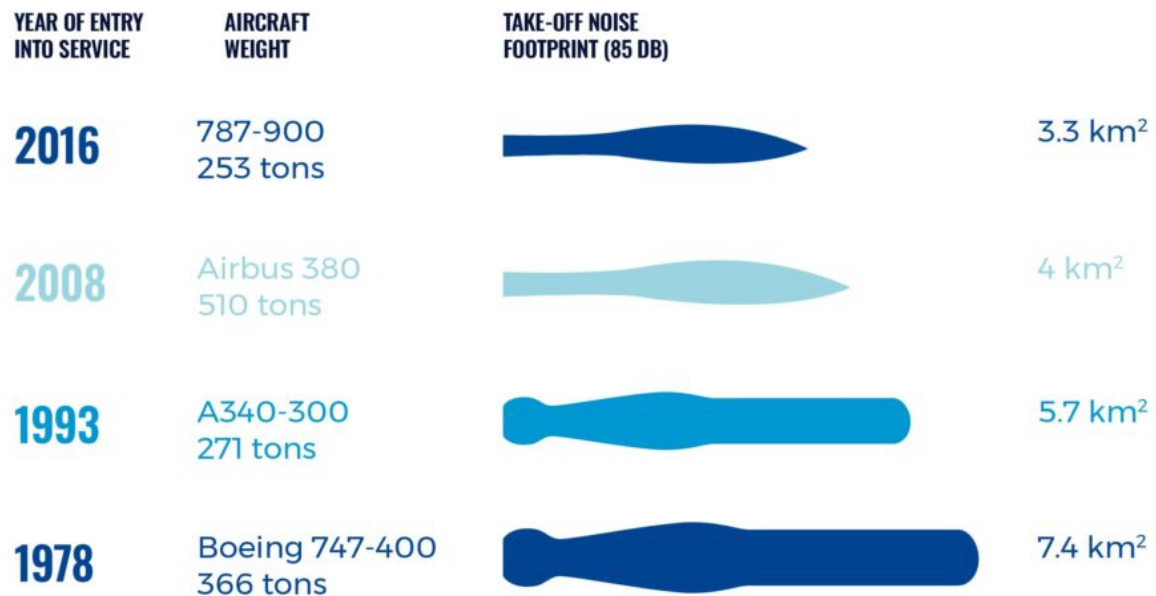
Fleet modernization and procedural improvements are the two pillars of our noise abatement strategy.

Fleet Renewal

All our modern aircraft meet the criteria established by the ICAO Chapter 4 Noise standard, the most stringent noise standard for new subsonic jet aircraft. In 2017, we significantly reduced our noise footprint by withdrawing Boeing 747s from operational service and introducing the 787-9:

- Air France took delivery of four B787-9s while the last Boeing 747s were retired in 2016.
- KLM reinforced its B787-9 fleet to 10 aircraft and retired four of its B747-400.
- The introduction of the Boeing 787-9 reduced the operational noise footprint by approximately 60% compared to similarly sized aircraft. Boeing 787's noise footprint has been reduced to the point that, at each takeoff, the exposure to noise in the surrounding airport area is lower than 85 dB(A) (comparable to the noise of a truck passing).

NOISE MAPS PER AIRCRAFT



Noise abatement procedures

We are working to improve departure and approach procedures, along with the French and Dutch Civil Aviation Authorities, who are assessing the environmental benefits of the procedures.

KLM implemented the new Noise Abatement Departure Procedure 2, which significantly reduces noise pollution and emissions in areas around the airport. With respect to the local noise regulations at Schiphol Airport, all reduction targets for 2020 have already been achieved due to KLM's active strategy of fleet renewal and operational measures. The goal of 5% noise hindrance reduction among highly annoyed persons (Aldersagreement 2008) has been achieved and surpassed, reaching 20,3 % (source: 2013 Aldersresearch / recalculation based on EU norm results expected in June 2018).

DIALOGUE WITH RESIDENTS, AN OPPORTUNITY TO SHARE THE FRAMEWORK FOR SUSTAINABLE DEVELOPMENT

Air France and KLM are engaged in an ongoing dialogue at a local level to strengthen their relationships with stakeholders and inhabitants.

Specific solutions are also sought to reduce noise emissions from aircraft. For example, although not required by any regulation, Air France decided to equip its entire A320 fleet (115 aircraft) with Air Flow Deflector noise-reduction kits to reduce the characteristic whistling sound during the A320's approach phase. A number of residents' associations have confirmed the positive impacts in terms of

a reduction in overall noise energy.

DIALOGUE WITH RESIDENTS, AN OPPORTUNITY TO MITIGATE NOISE

Air France and KLM meet with the representatives of local communities, airport authorities and air traffic control to identify measures and solutions to reduce noise hindrance that could affect people living near airports.

In the Netherlands, KLM has been a longstanding member of the Schiphol Regional Consultative Committee (CROS) for all issues arising in the area around Schiphol. The Committee was succeeded in 2015 by the regional council called Omgevingsraad Schiphol (ORS). Among other things, the Omgevingsraad council addresses issues surrounding noise. The Alders Agreement identified a hindrance reduction target of 5% relating to the number of severely annoyed people in the airport vicinity in 2020. KLM is proud to announce that this target is achieved well above the set goal (20.3%). This achievement can be attributed to the fleet renewal and the variety of noise reduction measures taken by KLM.

In France, Air France fosters a dialogue with residents and partakes in the advisory committees on environment and residential care, such as CCE (Commission Consultative de l'Environnement) and CCAR (Commission Consultative d'Aide aux Riverains) at all the airports in France where it operates.

In 2017, Air France continued to be actively involved in a "Night Flights" working group, overseen by the prefect of the region for Paris-Charles de Gaulle. This working group noted the positive improvements achieved by Air France through:

- the voluntary withdrawal of Air France's Boeing 747s, the noisiest aircraft in our fleet. The early withdrawal of these aircraft involved more than 2,000 procedures, which constitutes 0.5% of the annual commercial actions at Paris-CDG. Their replacement by a more efficient type of aircraft resulted in a decrease at Paris-CDG, of over 1 point in value of the global pressure-intensity index of the measurement, an indicator representing sound power.
- the introduction of the Air France Boeing 787s which is much quieter during take-off (down to -40%) compared with similarly sized aircraft.
- improvement in punctuality of the flights scheduled for late at night or early in the morning in the scope of the Air France company-wide D0 (D Zero) punctuality project.

The monitoring of the flights scheduled for late at night or early in the morning at Paris-CDG, whatever the operating airline, is the subject of a specific review by the "Night Flights" working group monitoring procedure. They came up with a proposal of testing new night-time continuous descent procedures, where Air France was chosen to be the pilot airline.

French and Dutch government policies include the exposure to aircraft noise in their urban planning considerations and provide financial help for soundproofing homes.

- In 2017, the Air France Group's contribution (Air France, Transavia and HOP! Air France) to the French Tax on Air Transport Noise Pollution (TNSA) paid to the French government amounted to €17 million.
- Around Schiphol, all the noise control measures have been implemented. Over the past two decades, KLM has contributed to the major portion of the total €754 million of noise taxes, devoted

to soundproofing and compensation for loss of value in properties around Schiphol airport.

ENERGY AND WATER

We aim to reduce energy consumption of our ground operations, improve energy efficiency and increase the use of sustainable energy for our buildings, offices and warehouses.

OUR AMBITION 2020



AIR FRANCE AND KLM

20% ENERGY EFFICIENCY
IMPROVEMENT COMPARED TO 2011

OUR RESULTS 2017



AIR FRANCE

23% ENERGY EFFICIENCY
IMPROVEMENT COMPARED TO 2011
(KWH/M²)



KLM

16.5% ENERGY EFFICIENCY
IMPROVEMENT COMPARED TO 2011

ENERGY CONSUMPTION AND EFFICIENCY

At Air France, the 2020 target was achieved by 2017. The company has set a new target for the same date, 2020, corresponding to a 26% reduction in electricity consumption (expressed in kWh / m²) compared to 2011 as the base year. This excellent result is notably due to the improvement of the equipment, such as lighting, and the integration of this objective in the contracts of the suppliers.

- Air France has sub-contracted the maintenance and operation of the industrial premises of its facilities, as well as its aeronautics maintenance and cargo hangars, and tertiary buildings. Amongst other things, the contracts foresee incentives for the improvement of energy efficiency.
- Initiatives to reduce energy consumption are in place at all Air France sites. For example, at Valbonne in southern France where the bulk of the IT servers are located, 100% of the heating

needs of the tertiary buildings comes from the recycling of heat generated by the air conditioning system. In the Cargo hangars, a new energy-efficient lighting system has replaced the traditional system, enabling an 80% saving (reduction in energy and maintenance costs) and avoiding the emission of 285 tonnes of CO₂ a year.



The KLM Energy Efficiency Plan 2017-2020 targeting a 5% energy efficiency improvement per year, resulted in 5% electricity saving in 2017 compared to 2016. KLM is constantly investigating options to optimise processes. In 2017, an alternative to the salt bath, which is one of the major energy consumers in treating aircraft materials, was introduced. Turning off the salt bath saves over 400 tonnes of CO₂ annually.

RENEWABLE ENERGY SOLUTIONS

In our buildings and hangars, we look for innovative solutions such as renewable energies. Our new facilities are designed to respect the principles of low environmental impact construction, to ensure the comfort, health and safety of the people who will use it, and to effectively manage energy use.

As an example, Hélios, Air France Industries' designated aerostructures facility at Paris-CDG, provides maintenance services for new aircraft, such as the Boeing 787 and the A350:

- Lighting: the building is lit using high performance lighting. Innovative multi-layer ETFE cushions draw a maximum amount of natural light into the building.
- Air quality: natural floor covering and labeled washable paints that preserve indoor air quality.
- Renewable energy: thermal solar panels on the roof provide hot water.
- Relationship between the building and its environment: terraced planted roofs and green spaces.

Since 2002, KLM has been operating heat pumps with aquifers. Aquifers are underground water-bearing reservoirs in which thermal energy can be stored. Currently, KLM uses heat pumps with aquifers, which generate renewable energy to heat and cool 5 buildings. The amount of sustainable energy generated by these heat pumps in 2016 was an equivalent of 562 MWh electricity, and 68,600 m³ of natural gas.

Architectural plans for all of our new buildings will be drawn up taking into account the possibility of implementing such solar panels:

- Air France IT Center in Valbonne uses the solar energy provided by 6,000 m² of panels installed on the structure which also provides shade in the centre's car park. This plant covers 10% of the IT centre's annual electricity consumption, or the equivalent of 400 households' annual consumption.
- Air France Industries has implemented solar panels on maintenance hangar roofs wherever technically possible, as they require minimum roof surface and pitch.

SAVING WATER

In our continuous effort to reduce water consumption through better management of our processes, teams are made more accountable and environmental criteria is factored into the design and realization of our tools and work stations. The activity that uses the most water is maintenance for the washing of aircraft and engines.

Reducing water consumption requires innovation:

- Air France Industries and KLM Engineering & Maintenance (AFI KLM E&M) use the "EcoShine" method to clean the exterior of aircraft. By using pads, this process requires 80 times less water than the previous system: 150 liters to clean a Boeing 777, rather than 12,000 liters previously. Another advantage of this method is that it reduces the risk of accidents at work.



- AFI KLM E&M has developed an innovative, environmentally-sound system to increase engine on-wing performance and lifespan. Engine water wash can be carried out during a maintenance check in the hangar or at the platform. The system optimizes engine performance, leading to lower fuel consumption (0.5 to 1%) and reduced CO₂ emissions. The engine water wash is operated according to environmental principles: the water used during the process is recovered for recycling.

WASTE AND CIRCULAR ECONOMY

Our business produces a variety of waste: from the sheet of paper used in an office, to aircraft engine parts, staff uniforms and the cups our passengers use onboard. We aim to minimize waste and to recycle and reprocess whenever possible throughout the supply chain.

OUR AMBITION



AIR FRANCE

100% OF NON-HAZARDOUS WASTE
60% OF HAZARDOUS WASTE
RECYCLED AND RECOVERED BY 2020



KLM

50% LESS RESIDUAL WASTE BY WASTE
PREVENTION AND BY INCREASING
RECYCLING BY 2025 (COMPARED TO 2011)

OUR RESULTS 2017



AIR FRANCE

93% OF NON-HAZARDOUS WASTE
53% OF HAZARDOUS WASTE
RECYCLED AND RECOVERED



KLM

24% OF NON-HAZARDOUS WASTE
RECYCLED AND 76% RECOVERED
90% OF HAZARDOUS WASTE RECOVERED

As a transport provider, we can be a catalyst in the value chain by procuring more sustainable and circularly produced goods. Everyone can recycle, produce less waste and adopt good practices. At the heart of this commitment are the “Four Rs” of the circular economy: Rethink, Reduce, Reuse and Recycle. Our ambition is to take sustainability into consideration at every phase of the lifecycle of our various products and services. This begins with design, and goes on to cover every other process along the way.

We handle a variety of different types of waste, particularly waste originating from flight and maintenance activities, both of which are subject to strict regulations. Two thirds of our nonhazardous waste result from catering and onboard service: these regulations have a big impact on our waste footprint.

Reducing waste also provides a financial opportunity: several initiatives have demonstrated considerable economic benefits. We work closely with our suppliers and other parties to contribute towards the use of sustainable materials and resources throughout the value chain.

PREVENTING FOOD WASTE

We handle food waste coming from flight operations with respect to a permanent commitment to guaranteeing food safety and security, within a context of strict regulation. The regulations vary depending on the station and are often very restrictive, like the European regulation requiring the incineration of any elements having been in contact with food for international flights.

Two main levers enable a reduction in food waste: the adjustment of the catering supplies on our flights and a strict policy of merchandise inventory management.

- We regularly re-evaluate the number of required meals on aircraft based on statistics, historical load factors, and passenger habits. This re-evaluation enables a reduction in waste and in production and transportation costs, as well as in the actual on-board mass. This reduction contributes to the mitigation of CO₂ emissions.
- To regularly renew the in-flight service offer, we propose a number of products to passengers for a limited period. At the end of this period some products, like wine, are served in airport lounges, while others, like sweet and savory biscuits, may be donated to charitable organizations (Restos du Cœur, Mie de Pain, Red Cross). In 2017, Air France donated €131,000 worth of articles to associations. Air France also chooses to serve refreshments until the available stocks are exhausted, before replacing them with new product ranges.
- Lastly, products which are not distributed to passengers during the flight, and can potentially be conserved, like biscuits and snacks, sugar, salt, bottled water and soft drinks, are recovered and reinserted in the flow of meal trays prepared for the following flights. In this case, cost saving is combined with waste minimization.

REDUCING AND RECYCLING OTHER INFLIGHT WASTE

To reduce the overall impact of waste, we prevent waste by redesigning and by correctly separating waste, as well as by implementing recycling initiatives. For example, a significant proportion of reusable obsolete equipment, like trays, drawers, blankets and trolleys, is recycled.

- At Air France, items designed with an eco-design approach, which take the entire life cycle of products into account, are favored. Four families of materials are recycled: plastic, metal, textiles and paper. Plastics are mostly reused in the production of new materials such as Air France's

drawers and serving trays.

- At KLM, on all the European flights, on-board waste is sorted and trolleys have been adapted to collect cups. Cans, glasses, aluminum lids and PET plastic bottles are also sorted and recycled. Besides, unused equipment like ear phones and cutlery sets are kept apart and reused on other flights.
- With the introduction of the Air France Press App and the KLM Media App, which replaces onboard newspapers, 1,300 tonnes of paper waste were prevented in 2017 (4,600 tons of CO₂ avoided). An additional benefit of replacing newspapers with a digital version is the weight saving on board.
- KLM Catering Services runs programs to continuously improve its waste management: reduction in waste, increase in the recycled portion and identification of the appropriate reprocessing facilities. In combination with procurement efforts, KLM achieved a 17% waste reduction (per passenger, compared to 2011).
- To avoid the destruction of products and promote reuse, Air France signed a framework agreement with the association Agence du Don en Nature (ADN). By donating new, re-modeled and recycled products like crockery and blankets, we support the work of ADN which collects and redistributes new non-food everyday products to combat exclusion in France. In 2017, 51 pallets of crockery were donated to ADN.

REUSING AND RECYCLING AERONAUTICAL WASTE

We have developed programs for aircraft maintenance waste. Where possible the principle of cradle-to-cradle is applied to bring waste back into a new production cycle with the goal of streamlining and controlling all technical waste flows. The process includes procedures to reuse and recover spare parts.

- At Air France, the ongoing move up-market for the medium and long-haul cabins with the installation of new seats has been accompanied by the implementation of a recycling and dismantling process for the old seats ranging from the reuse and recycling of components to the recovery of foams and metals.



- In 2017, 170 tons of aircraft parts and metal were recycled through the KLM's ScrapPlaza program. Every year, KLM Engineering & Maintenance evaluates the flows of waste that can potentially be reused or recycled.

- Hazardous waste from maintenance activities is subjected to a comprehensive tracing system and its management is harmonized in different maintenance sites. This approach is also reflected in the optimized management of suppliers and costs, and the search for more relevant solutions in the light of regulatory changes.



REDUCING AND PREVENTING OFFICE WASTE

We aim to reduce and prevent the waste generated by our on-ground non-industrial activities:

- Using Follow Print, print jobs are carried through only on request of the user at the printer, with an identification code and a confirmation of the printing tasks: since its launch in 2014, print quantity has been reduced at Air France by 19% resulting in a savings of 22.8 million sheets of paper.
- Within the framework of the NET project (New Workspaces) Air France has implemented a waste collection system enabling sorting waste, with the goal of 100% recycled waste in 2020. This system relies on color coding one can easily identify to facilitate the sorting (biowaste, paper and cardboard, bulky waste, plastics).
- In the restructuring of the workspace at its headquarters, Air France chose to assign the work of treating used and surplus office furniture to partners who contribute to a creation of solidarity economy and promote professional integration. The removal of the furniture is carried out by Groupe Ares, which assists people who face employment obstacles (500 people are assisted yearly, with 65% securing a job or an apprenticeship).
 - The furniture is further handled by an eco-friendly organization Valdelia, ending in several possible destinations:
 - The furniture that is in good condition is entrusted to partners in social and solidarity economy

or humanitarian projects invested in early childhood and education. The furniture that is in bad condition is energetically repurposed or recycled.

PROMOTING THE PRINCIPLES OF THE CIRCULAR ECONOMY

We are working on initiatives to up-cycle waste for new usage, as shown in some more recent examples:

At Air France:

- From September to December 2016, a collecting of uniforms and working clothes was organized in partnership with a company in the sector: more than 8 tonnes of clothing were collected and recycled in a facility specialized in waste processing, then transformed into cement granules. Another collecting campaign is scheduled for 2018.
- Within the framework of the Reverse project at Air France Industries' Engines, Equipment and Services department, used equipment has five possible new destinations: re-using, dismantling and re-certification, reselling (in its current state), reconditioning as a non-aeronautical product, treatment as waste. We aim to make circular economy and the optimization of environmental and economic performance of waste reprocessing an integral part of our business.
- Certain items are being reconditioned under a range of non-aeronautical products, marked in company colors. For example, used seat covers and leather headrests were transformed into bags and pouches with handles made from old safety belts.



At KLM:

- In 2017, we achieved a 32% reduction in residual waste (per passenger, compared to 2011). KLM sorts 19 types of waste, with paper, wood and glass being the main residual forms. Among other types of waste, some generate smaller volumes, but represent a higher financial value. For example, progress has been made on the reprocessing and recycling of aircraft components, polystyrene packaging and carpets.



- Multiple initiatives have been launched to tackle waste. Several partnerships with architects, start-ups and knowledge institutions, have resulted in innovative circular solutions. For example, the use of 3D printer that prints chairs out of plastic waste, or the proposal to transform old cabin trolleys into mobile trolleys to be used within teams of office employees. In addition, we reuse and recycle IT waste (laptops, mobile phones), and donate these revenues to Wings of Support.
- Since 2013, used KLM uniforms and old business class carpeting are recycled into fibers used to manufacture carpets for the new World Business Class. All used carpets are recycled in collaboration with a carpet manufacturer Desso, as part of the Take Back™ program.

We work in partnership with the players in the aeronautics industry to promote circular economy and identify potential sources of recycling and reprocessing facilities:

- In 2017, Air France continued to contribute to studying opportunities to develop circular economy initiatives in the catchment area around Paris-CDG airport. As a member of the aviation industry's Strategic Committee on circular economy, Air France Industries has contributed to the industry's roadmap, which was presented to the French government.

Since 2016, Air France has been one of the 33 companies volunteering in the contribution to circular economy with 100 commitments (*Trajectories Economie circulaire - 33 entreprises se mobilisent avec 100 engagements*), organized by AFEP (French Association of Large Companies).

Air France supports [Circul'R](#), a company with which it organised a one-day Learning Expedition in December 2017, which enabled employees to learn more about circular economy and get acquainted with innovating startups in this field.

AIR QUALITY

As a result of gaseous and particulate emissions from movements, ground operations and maintenance activities, aviation has an impact on air quality in airport surrounding areas.

At our airports, the majority of gases are emitted by aircraft movements (taxiing, takeoff and landing). The remainder is produced by ground activities, logistics and road access to the airport for passengers, employees and suppliers.

We aim to reduce our local emissions to lower our local impact. To reach this goal, we focus on the following measures:

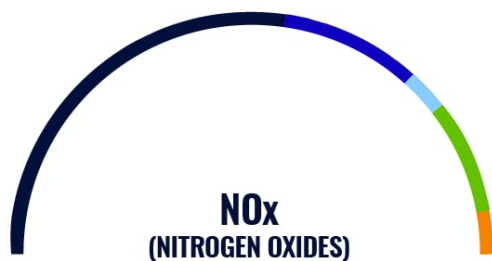
- investing in new fleet that is more energy efficient
- improving operational ground procedures
- introducing more efficient or electric Ground Support Equipment (GSE) and vehicles
- developing eco-mobility solutions for employees

We monitor our atmospheric emissions for both flight and ground operations, including low altitude emissions which impact the quality of the air around airports. The indicators cover emissions of CO₂, SO₂, NO_x, HC and Volatile Organic Compounds (VOC).

Air quality is measured at Amsterdam Schiphol, Paris Airports and in other airport areas.

- In France, the SURVOL project ensures environmental monitoring (of air and noise) conducted in the airport surrounding areas of Ile-de-France within the framework of the Regional Health and Environment Plan. The monitoring of air quality is carried out by the Airparif organisation which evaluates the impact of airport activities on air quality, builds a database of pollutant levels for future health studies and keeps local residents informed.
- In the Netherlands, Amsterdam Airport Schiphol's yearly measurements on particulate matter (PM) indicated that, in spite of increased traffic, local air quality has remained stable. In 2017, KLM has carried out early measurements on diesel exhaust which indicated that in spite of increased traffic, local levels of diesel exhaust have remained stable.

BREAKDOWN OF EMISSIONS PER SECTOR IN PARIS REGION AREA



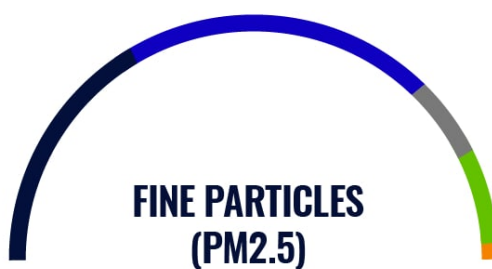
56%	Road traffic
18%	Housing & tertiary sector
5%	Energy extraction, transformation and distribution
14%	Others
7%	Airport platform



14%	Road traffic
30%	Housing & tertiary sector
24%	Manufacturing industry
31%	Others
1%	Airport platform



32%	Road traffic
41%	Housing & tertiary sector
9%	Manufacturing industry
14%	Others
4%	Airport platform



35%	Road traffic
39%	Housing & tertiary sector
11%	Construction and quarry
13%	Others
2%	Airport platform

SOURCE : AIRPARIF 2015

OPERATIONAL PROCEDURES

In order to reduce emissions in the immediate environment of aircraft handling areas, rather than using kerosene-powered Auxiliary Power Units (APUs), we use the following Ground Support Equipment (GSE):

- Fixed Electrical Power Units (FPUs) where possible, to power aircraft;
- Pre-Conditioned Air (PCA) units that maintain an acceptable temperature on board the aircraft;
- Ground Power Units (GPUs), as well as an increasing number of aircraft towing trucks, equipped with automatic power-shutdown systems.

In 2017, we achieved the following results to support our mission to reduce local impact and improve local air quality:

- Almost 50% of Ground Support Equipment (GSE) used at Paris-CDG and Amsterdam Airport Schiphol is electric
- 40% of the medium-haul Air France fleet use single-engine taxiing procedure, and 80% of the A380s use only two out of the four engines.
- CO₂ emissions of KLM's GSE reduced by over 3% and NOx emissions by almost 5%, compared to the previous year. This has been achieved by introducing a more efficient or an electric GSE. This trend is forecasted to continue and intensify as in 2017 KLM ordered electric GSE that will replace a total of 75% of all GSE by the end of 2019.
- Air France is accelerating the use of electric power converters (ACUs) for the air conditioning of aircraft on the ground. This enables a reduction in emissions due to the use of thermal ACUs, APUs and GPUs. An increased budget for 2018 will enable investment in runway equipment that meets the new environmental standards in force, and the development of electrical energies. For ground vehicles, wherever possible, hybrid petrol and electric engines will be prioritized during fleet renewal.



ECOMOBILITY SOLUTIONS FOR EMPLOYEES

To reduce local impact, Air France-KLM also offers eco-mobility solutions to their employees.

KLM promotes the use of public transport by providing free access to transport around Schiphol and KLM's offices to its employees.

In the Paris area, Air France is taking part in the atmosphere protection plan through its mobility plan and an intercompany mobility plan. We have been pooling our efforts with other major companies around the Paris-CDG, R'PRO'Mobilité organisation, and Paris-Orly airports, to share means for a more responsible mobility.



Our mobility plan aims to reduce pollutant emissions linked to commuting between home and work by promoting public transport, making temporary offices available, encouraging remote working for positions that allow this, and creating a car pooling website. Of the 37,000 employees concerned, 82% travel to work by car. This issue is important both in terms of environment and in terms of health and safety at work.

Telecommuting

Telecommuting is a solution introduced to improve the organisation, the quality of daily life at work,

and the prevention of risks. It also has significant environmental benefits.

- In 2017, in France, 2,164 Air France employees were registered as remote workers at least one day a week (alternating and temporary remote workers), which is nearly a 28% rise compared to 2016.
- The fewer journeys to/from work allowed more than 4.5 million kilometers, or 112 times the Earth's circumference per year, to be avoided, and enabled a savings equivalent to 1,079 tons of CO₂.

Carpooling

In 2017, two free-of-admission new carpooling platforms have been made available for the employees working in Paris region:

- Boogi, for planned carpooling: a joint tool shared with other companies of the area through R'PRO'Mobility.



- OuiHop, for spontaneous carpooling: 6,000 rides were offered by Air France employees.



Some other initiatives to promote ecomobility

- A fleet of electric cars: Since 2017, a fleet of ten vehicles (the corporate fleet version of the Paris Autolib), 100% electric and personalized with Air France and HOP! in Air France colors, can be used by employees working in Montreuil for every work-related travel in the Paris region.
- Electric charging points: A development plan of parking spaces with electric charging points has been implemented since 2015 in three parking areas for employees in Paris-CDG. The number of parking space equipped with electric charging points has been regularly rising for 3 years.
- Carsharing: The start-up Crewpop, which began as an employee initiative, was supported by Air France, entering a trial phase at the end of 2017. It allows Air France employees to use electric cars as part of a carsharing initiative.

Air France takes part in current debates on the larger transport schemes which should see the light of day within the next few years. Air France is working on addressing the need for a performing urban transportation to the Paris-CDG and Orly airports, and more generally to the French airports, this being an essential complement for a top global air network to the advantage of its employees, service providers and customers.



CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

Customer experience

DIALOGUE WITH CUSTOMERS

We are continually engaged in dialogue with our customers in order to understand their needs and expectations. With this knowledge, we can develop a unique customer experience and offer high quality and sustainable products and services.

CUSTOMER INSIGHT

Our Customer and Market Insight department conducts research on customer understanding, customer satisfaction and on service conformity. It also carries out benchmarking studies, specific customer research and data analysis, with a constant respect for the privacy of customer data. The department offers support to the organization on strategic, tactical and operational level.



Co-creation

The customer is at the center of product and service development. For example, in 2017:

- Air France carried out several customer tests on long haul network for its business, premium economy and economy cabins. Customer feedback was integrated into the development process.
- The members of Intouch online community have participated in cocreation programmes. For example, they contributed to the design of the new survival kit distributed by KLM in case of an emergency.
- In 2017, in order to reinforce customer proximity, the Traveler Lab' community enabled to testing of chat bot "Louis", a virtual baggage assistant.

Customer analysis

We carry out surveys, inflight trials and focus groups to ensure that customer feedback is systematically taken into account during the development of new products and services:

- More than 40 tailored studies are carried out per year among our customers and potential customers in order to better understand their needs. For example, customers have been questioned during workshops (in France and abroad) as well as through questionnaires, to enable Air France to work on the revision of the catering offer in Economy Class.
- Customer complaints are taken into account and reported monthly in order to better understand key product and service challenges and define possibilities for improvement.
- The Net Promoter Score (NPS) indicator is the reference indicator at Air France-KLM that monitors customer recommendations. The NPS is now used as a companywide target, and dashboards and monitoring tools have been developed to report the daily NPS score. It can be viewed by everyone online and on TV-screens throughout the company.
- In July 2017, Air France launched the “inflight customer feedback”, which enables customers to give the company an immediate feedback just after landing.

Benchmarking

Market research and industry-wide studies (such as Airs@t and the IATA Frequent Flyer Program benchmark) broaden the analysis of the competitive environment. Part of this information is shared within the Group via a specially set up intranet.

Monitoring quality and customer satisfaction

2017 was the fourth full year of the “Quality Observer” programme. Within the framework of this programme, Flying Blue members are invited to perform objective quality audits by using an exclusive app. More than 65,000 frequent customers have participated in this programme. Its goal is to safeguard a consistent product and service delivery around the world, based on more than 40,000 quality observations received annually. The results are included in a reporting tool that is available to different internal stakeholders.

The eSCORE online programme measures passenger satisfaction on all Air France and KLM flights, with specific and tailored questions. The information gathered contains passenger profiles and choices, segmentation questions, as well as satisfaction scores covering the entire customer experience. Over 1 million responses a year are received and analysed to constantly improve and customise products and services. The Group is continuously looking to optimise the interaction with our customers through eSCORE.

To keep improving customer experience, the average time required to fill out the form has been reduced from 10 to 6 minutes, while maintaining the same quality of gathered information.

Customer satisfaction is also measured through special monitors at different touchpoints before and after travel as well as via call centers, websites, social media, etc.

SOCIAL MEDIA

You can find Air France and KLM on Facebook, Twitter, YouTube, LinkedIn, and various other networks. These social media networks serve to answer passengers' questions, publish the latest Air France and KLM news, post our special offers, provide flight information and assist passengers with their requests.

- Facebook: 24.9 million fans
- Twitter: 3.9 million followers
- Other social media networks: 6.4 million fans and followers on Instagram, YouTube, LinkedIn, Google+, Sina Weibo, WeChat, VKontakte, Pinterest.

STRIVING FOR EXCELLENCE IN CUSTOMER SERVICE

We have chosen the distinctive strategic approach of putting customers at the heart of our considerations: striving to make it to the top in operational performance and products and achieve distinction with the quality of its Customer Relations. Synergising the digital and human elements enables Air France-KLM to offer a quality and caring relationship.

At Air France, the “Caring Attitude” is the governing principle of our service personalisation actions, both through digitalisation (website, apps, and social networks) and through staff actions. Some examples in 2017:

- 25,000 front-line staff, both ground and flight crew, are now working with tablets which enable them to know more about the customers and therefore to better adjust to their expectations. Beyond the classic functions of the CRM, a new “Customer Continuity” device was introduced. When a customer reports a particular circumstance or an incident, this information can be shared between employees, who are then able to act by developing a very personalised approach or by suggesting an action which will make a difference: another seat onboard, a sign of recognition, a surprise for the customer’s honeymoon, birthday or a home return flight, etc. This functionality could be compared to a digital post-it. It has been developed only for Flying Blue customers, but will soon be extended to all customers.
- After a pilot phase, the “inflight customer feedback” has been extended to all long-haul flights. It is about collecting customers' opinions “in the heat of the moment”, after landing, which should enable the crew to implement relevant actions that will improve customer satisfaction on their return flight. Promising Net Promoter Scores (NPS) on return flights testify to the efficiency of this approach. These measures will be extended to medium-haul flights. Asking immediate feedback from customers has since become widespread everywhere in the company.
- The cooperative approach was further developed with the Customer Respondents Club. 20 workshops with customers and employees were organised around the theme of Customer Experience. A club for disabled people or those with reduced mobility convened in October 2017, enabling the company to launch a specific action plan to keep improving the experience of these customers with Air France.
- For the second year in a row, Air France was awarded the “Podium de la Relation Client” prize in recognition of the efforts of Air France teams to improve the customer experience and make a difference through a constant attentive relationship with its customers. Selected on the basis of a BearingPoint and Kantar TNS survey among a sample of 4,000 French people, the award reflects the recognition of our clients.

In November 2017, Air France-KLM received the “Great Customer Relations” Award within the framework of Talend Data Masters award, in recognition of the implementation of a 360° vision of its customers for a better travelling experience. Air France-KLM strives to get to know their customers better so it could assist them better. Information about customers is now centralised on a common platform. Staff is well informed and the tools used are more personalised.

KLM aims to create ‘memorable experiences’ for their customers. Some examples of our initiatives are:

- In November 2016, KLM launched its new brand movie entitled “Moving your World”, reflecting the KLM philosophy of being a caring airline and putting customers first.
- In 2017, KLM continued their collaboration with Return to Sender on “Gifts for Care” project. Return to Sender is a company that brings unique handcrafted products from all around the world to the Netherlands. Made with a love for tradition and craft, these authentic products are created by artisans in the poorest regions of the world. These unique gifts provide the crew with another tool to approach passengers on board in a way that fits the KLM mission: Moving your world by creating *memorable experiences*.



INVOLVING CUSTOMERS IN OUR CSR INITIATIVES

Takes care

In order to better flag initiatives related to CSR, the Group embedded CSR actions of all its commercial brands under the label Takes Care.

The KLM Takes Care online platform (klmtakescare.com) is dedicated to providing information on all relevant topics, engaging in dialogue and providing a forum for discussion on sustainability. The KLM Takes Care platform and logo make it easy to identify CSR initiatives both online and offline.



Air France-KLM kept its place on the 2017 Fortune's list of the World's Most Admired Companies, ranking fifth in the "Airlines" category. The economic assessors particularly noted the Group's excellent performance in terms of innovation, quality of its products and services and its social and environmental responsibility.

Materiality assessment

A materiality analysis whose goal was to evaluate Air France-KLM CSR strategy, was carried out in 2017. It enabled customers of our companies to evaluate 26 topics, prioritize and rate their importance, but also to evaluate the performance of Air France-KLM. 20,000 corporate and individual customers were invited to participate in this survey, with a response rate of 10%.

According to them, the top 5 topics are:

- Customer satisfaction
- Safety & security
- Fleet development
- Market competitiveness
- Operational performance

SUSTAINABLE PROCUREMENT

As a major purchaser of diverse products and services, we take ownership of our choices. We aim to integrate sustainability in our supply chain by sourcing products and services that minimize our environmental footprint and have a positive social impact.

Working together with around 3,900 suppliers, a proactive procurement strategy is essential. The most significant purchases are aircraft, fuel, ICT, airport and navigation fees, onboard products and Engineering & Maintenance. Given the significant amounts spent, we make optimisation, innovation and the integration of CSR in the supply chain our main priorities.

SUSTAINABLE PROCUREMENT STRATEGY

Code compliance

In a continuous effort to improve supplier relations, all buyers actively renew their involvement by signing our code of ethics. Twice per year everybody within the company who deals with external suppliers is asked to participate in a questionnaire that aims to raise awareness of issues such as bribery and other illegal activities.

In 2017, Air France elaborated and communicated, to all the employees in relation with external parties, an ethics guidelines reminder that includes principles on commercial and financial ethics, confidentiality, and CSR commitment compliance. This measure was complemented by an online anti-bribery training completed by all employees dealing with external parties.

Air France-KLM believes that, in order to become a truly sustainable airline, suppliers must join the Group in this commitment based on a shared set of values and principles. Taking this to be the basis of building sustainable relationships, the Group requires from its suppliers to conform to the "Supplier charter". This charter, which is based on the UN Global Compact principles, sets out the standards of behavior the company endorses in relation to ethics, and social and environmental principles. The set standards are also included in Air France-KLM's contracts.

The Supplier charter is further reinforced with the Supplier Code of Conduct, comprised of additional international guidelines such as 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 Labour Organization (ILO) and the OECD Guidelines for Multinational Enterprises.

All suppliers have a set CSR Indicator. A CSR indicator is based on one or more of the documents or statements listed below. The CSR Update Procedure Document is included in each Supplier Profile:

1. Air France-KLM Supplier Sustainable Development Charter
2. Commitment to UN Global Compact
3. EcoVadis Score or equivalent, approved by the CPO office
4. Annex to the Contract
5. Sustainability Charter provided by supplier
6. Supplier website/CSR Statement/Sustainability Report, validated by CPO Office

Consistent with our CSR compliance policy, those assessed who did not reach an acceptable level will have to implement remedial measures to meet the Procurement division's requirements. For Air France, these cases are discussed during the quarterly steering committee meetings managed by the Procurement and the CSR departments.

Supply chain risk assessment

CSR performance assessment

We use the EcoVadis online platform for assessing supplier CSR performance. Suppliers are evaluated on the basis of social, environmental, ethical and supply chain management criteria through different sources such as, for example, a customized questionnaire. Depending on their score they are given a bronze, silver or gold "medal" in recognition of their performance.

A five-step risk assessment process has been formalized in order to arrive to a prioritization of risk associated with the production of products or services, and/or the purchased products' country of origin. For the hardware and beverage product groups the prioritization is ready for follow-up.

Supplier Relations Management System (SRM)

Building on the long-term relationships between buyers and strategic suppliers, SRM has been deployed since 2013. SRM suppliers are a selection of Strategic suppliers who qualify after being segmented: in 2017, 28 suppliers in different domains, from airplane interior cleaning companies, such as Asito and Kluh, to temporary staff agencies, such as Randstad and Adecco, and facility management companies, such as Atalian and Sodexo, were approached in this way, by using SRM. This approach has brought about greater awareness and involvement, leading to a steady growth in the creation of joint goals.

The SRM approach puts issues like corporate social responsibility in the centre of discussions with suppliers and enables them to move forward together on these points. SRM is further employed in the procurement domains and established in close relation with our businesses.

Managing non-commitment/non-compliance

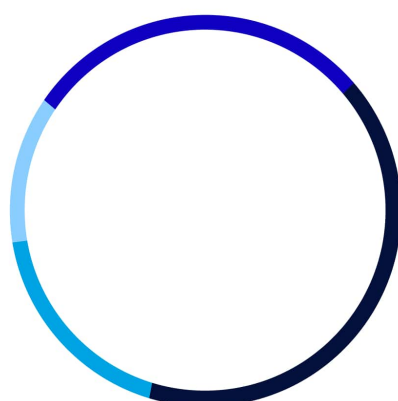
According to our non-compliance policy which is being progressively developed:

- All suppliers are asked to sign the Sustainable Development Charter.
- Suppliers identified as rigid and high risk are requested to take part in a CSR assessment conducted by EcoVadis.
- Suppliers who are active in the medium and low risk categories are also requested to conduct an EcoVadis assessment.
- Suppliers who do not obtain a global score of at least 35 are asked to provide a corrective action plan. The policy focuses on continuous improvement.

By 2017, 309 suppliers have been assessed by EcoVadis and reassessment campaigns are launched addressing suppliers with outdated scorecards. In addition, more than 9 on site audits have been led in 2017.

ECOVADIS ASSESSMENT RESULTS

309 SUPPLIERS

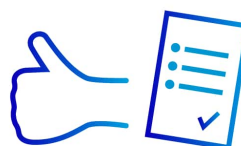


33% Gold
45% Silver
10% Bronze
12% No medal



3,900

suppliers



60%

of suppliers signed
the Sustainable
Development Charter

CSR opportunities

Engaging suppliers in their CSR performance and challenges helps to identify CSR opportunities:

- Environmental, social and ethical criteria were integrated in product/service specifications and contracts, where relevant.
- We also contribute to supply chain sustainability by collaborating with suppliers to develop innovative and sustainable solutions.
- Procurement cooperates with organizations and companies in the sheltered sector on multiple projects, representing a total expenditure of around €19 million. In addition to working on operational features, this partnership also aims to develop new products and service features. For example, together with our partner in the sheltered sector, the Group is improving the run kit case that contains a clean T-shirt and some toiletries for passengers with an overnight wait due to a cancelled flight. We are seeking for more quality by reducing disposable contents and plastic. Thanks to the collaboration and the willingness to improve, a more environmental-friendly kit will be provided.

- Air France-KLM focuses on the development of small and medium-sized companies and start-ups, the creation of innovation centers, such as the Digital Studio, and participation in business incubators. In 2017, the Group once more improved on all indicators in the SME report established by the Charter for Public-Owned Companies, especially those concerning information sharing and dialogue: Air France has designated a mediator for SME in case of communication of specific needs.
- Through its open innovation approach, Air France offers its customers innovative products and services designed by young innovative companies, such as an onboard cinema for the new airline Joon, which includes a big angle cinema screen, noise-reducing headset and a top-of-the-range entertainment catalogue.

In 2017, more than 600 suppliers were invited to answer the Air France-KLM materiality analysis questionnaire and give their opinion on the most material topics.

A CSR training program has been established for the French buyers. The CSR awareness is part of the major focus of the annual procurement action plan.

SOME EXAMPLES

Digital Press

The free smartphone and tablet app Air France Play offers a wide choice of newspapers and magazines, videos and music. This content is accessible 30 hours before the flight's departure. The onboard entertainment reduces environmental impact:

- Lesser quantities of printed newspapers: 6 million magazines less taken on board Air France flights.
- Less weight carried on board: Reduction of 937.4 tonnes carried, saving around 3,000 tonnes of CO₂ emissions in one year.
- Less waste to be processed after flights.



KLM Media App

The KLM media app allows travelers to download a variety of newspapers 24 hours before departure. At present, the KLM app offers 13 different newspapers. KLM's in-flight magazine, the Holland Herald, is also available through the app. In the near future, the app will also include a selection of magazines.

Recycling of uniforms

Air France organized another collection of uniforms and overalls, in partnership with a company in the sector.

- 8.56 tons of clothing were collected in 2016 and recycled in a facility specialized in waste processing, then transformed into cement granules.
- Another collecting campaign is scheduled for 2018.

This process is part of Air France's permanent commitment to seeking new partnerships and innovative solutions.

We also work on:

- Recycling of coffee capsules: since last spring, around 500kg of coffee has been recycled in 2 Air France sites.
- Energy economy: all light bulbs in cargo workshop have been replaced with LED lights, in

partnership with an EDF subsidiary.

- New products: in the new airline, Joon, parts of cabin crew uniforms are made with recycled yarn.
- Customer satisfaction: the Group supports the wine sector. On board, 700,000 Champagne bottles are served to passengers in all classes every year and 830,000 wine bottles are served every year to First and Business class. 7.4 million small bottles are served every years in Economy class.
- Green IT: a data centre renovation that included building isolation, relied on a mechanism of reusing the Data Centre heat for the heating of the building. Also, 6,000 square meters of solar panels were installed on top of the outdoor car park deck providing electricity for the site, thus reducing the annual CO₂ emissions by 65 tonnes.
- IT departments have made agreements with suppliers to remove all packaging on IT hardware.
- Integrating electrical vehicles, for example at Schiphol and Paris-CDG hubs.
- Cargo: Introduction of lightweight nets whose reduced weight contributes to lower CO₂ emissions.
- KLM inflight division plans are being used more frequently for audits, in addition to EcoVadis assessments for various suppliers.

INNOVATION

Today's world is changing, and it's changing fast. At Air France-KLM, innovation and technology are two strong pillars in the integration of sustainability in the customer experience.

DIGITIZING

In the context of both fast evolution of the consumers' needs and the digital revolution, we focus on the digitization of our services. This way we can provide our customers and employees with the right information at the right time.

The Air France and KLM media apps allow travelers to download a variety of magazines and newspapers before departure. Mobile phones are now the primary way customers contact the company: in this respect, the different apps the Group has developed have proved to be a real advantage, enabling us to get closer to the customer.

Our employees are provided with digital tools, in most cases an app on their tablet computer, which allows them to offer the best service to our passengers. Operational staff also benefits from this digital trend. In a turnaround, many people and departments work together to ensure aircraft departure on time. A digital platform, accessible via phone or tablet, facilitates communication between departments and helps them to work as a team.

Our aircraft mechanics have the possibility to access information through digital channels "on the spot". Firstly, this means no more paper manuals to carry around, secondly, it provides guidance and troubleshooting options for onsite support, and thirdly, it allows a paperless debrief.

SOCIAL MEDIA

Social media are changing the relationship between consumers and businesses. Active consumers now demand greater transparency, responsiveness and personalization. A strong digital link with the traveler, via the Air France or KLM app, Facebook, WhatsApp or Twitter, helps to keep our passengers informed in real-time through the passenger's channel of choice.

Air France and KLM, for example, have been reachable on Messenger, since 2017 and 2015 respectively. This channel enables them to reach younger customers, the so-called "digital natives", and to create a personalized relationship with each customer. In addition, WhatsApp and KLM have started a unique test for a new service which makes KLM one of the first companies and the very first airline worldwide with a verified WhatsApp business account. In 2017, Air France launched its first chatbot in Facebook Messenger, called Louis, and KLM launched their chatbot called BB (short for Blue Bot).

These are self-learning systems that can answer all customer inquiries about luggage, from questions on company's policy before departure to those concerning luggage tracking after the flight. Being on Messenger enables Air France and KLM to communicate directly with its customers, especially during activity peaks. The development of this service was an example of co-creation with customers, as they were able to test the different prototypes.

BIG DATA AND INTERNET OF THINGS

Big data can also help us personalize the offer we create for our customers. We aim to help our customers find the information they are looking for faster. We always do this with the highest regard for privacy.

Air France Customer Priority Hackathon

- **In November 2016, 110 participants (both external participants and Air France staff), in teams of two to five people, had two days to develop an innovative solution to assist customers in the event of an irregularity, ensuring they have the best possible travel experience. Five projects were selected and have been planned to deliver the envisaged solutions in a three-months period.**
- The most promising project was developed and tested at the end of 2017. The Ariane app will enable customers affected by flight delays to monitor flight information in real time and keep in touch with Air France. The app will be available on a watch, which will be lent to customers who do not have a connected device and are affected by an irregularity. This will enable them to receive real-time information about their delayed or postponed flight. In order to keep in touch with the company, they will also be able to ask questions, to which Air France ground staff can answer in real time and in a personalized way.

With the Internet of Things technologies, we connect a variety of objects to the Internet. Many objects in the Air France-KLM world are either already connected or will be in the longer term.

- As checked-in baggage can be a source of stress for our passengers, we aim to relieve that stress

by offering connected baggage solutions.

- In daily operations at the airport, vehicles and equipment are connected to the Internet. We can find the nearest vehicles and equipment without effort and reduce “searching time”. It helps us to work more efficiently, to fine-tune and learn how many vehicles and how much equipment we actually need. In the long term, this will help reduce the amount of superfluous equipment, as well as waste and the environmental footprint of the production process.

MRO LAB: MAINTENANCE INNOVATION

As an airline Maintenance, Repair and Overhaul (MRO), Air France Industries KLM Engineering & Maintenance have developed a unique portfolio of know-how reflected in the development of a wide range of value-adding innovations.

The MRO Lab is a programme grouping innovative and high value-added solutions. Specially tailored to the challenges of aircraft maintenance, the innovations are the fruit of continuous development aimed at satisfying the requirements of airline operating performance. Developed in-house, then tested and approved on Air France and KLM fleets, these innovations benefit AFI KLM E&M customers by optimizing fleet performance.

The MRO Lab program is explained in this video.

Major innovations, such as our Prognos tool, now fully operational on several aircraft, have been developed. We are now able to predict failures on some of the components of the A380 before they fail using the big data tools available on these new generation aircraft. More developments are being done on new aircraft types and new systems.



AFI KLM E&M presented some its innovations during the Paris Air Show at Le Bourget in June 2017. Visitors were able to examine the virtual reality training suit developed for Boeing 787 maintenance, an app for tablets which reduces cabin seat inspection time, and a new repair that has been developed for the GP7200 turbine center frame.

Partnerships with startups allow us to develop new solutions for our customers and our employees. More innovations are detailed on [our website](#).

Our joint R&D centre, the MRO Lab Singapore, together with its partner Ramco, aims to encourage the rapid emergence and sharing of innovative solutions. With these additional resources that

support our "Test & Learn" innovation culture, we have been able to test and to introduce the first innovative solutions such as new mobile applications, new digital solutions and chatbots.

The MRO Lab Amsterdam and the MRO Lab Paris with its creative rooms have also been set-up to further help our innovation network.

And finally, customer experience is being improved with new digital solutions that are being tested and implemented.



AIR FRANCE BEST PRACTICES

We are looking to differentiate ourselves via responsible and attractive products and via a more personalized service for our customers, innovation and a move upmarket.

OFFERING PERSONALIZED SERVICES: SOME EXAMPLES

Kids Solo

For children traveling alone, we created our Kids Solo service. Our staff accompanies your child and ensures his or her comfort and safety at the airport and on board.

During stop-overs of more than two hours, children are welcomed in Air France lounges reserved for children traveling alone. These lounges are specially equipped to offer activities for everyone.

Upon arrival, children are accompanied by our staff to the person designated for pick-up.



Saphir services

With our Saphir program, we offer an array of services tailored to the needs of passengers with disabilities and reduced mobility, such as easy reservation procedures, airport assistance, baggage assistance, special equipment on board, and more.

Phone and online services enable ticket bookings and provide assistance. We also offer a special phone assistance service to hard of hearing or deaf customers.

Our cabin crew is trained in assisting persons with disabilities in order to make their flight as comfortable and pleasant as possible.

Responsible catering

For our catering served on board and in airport lounges, we prioritize local, seasonal products and products sourced from organic agriculture. For example, children and baby meal trays include several organic products. Some of the products are also produced by companies in the sheltered sector (such as small jam jars on breakfast meal trays) and by social and solidarity economy (such as sandwiches served on small and medium haul flights).



Inflight meditation program

Air France invites its customers travelling on board a long-haul flight to discover the benefits of meditation via the Mind app program. Since June 2017, both children and adults can enjoy guided meditation sessions on their individual screens on board Air France aircraft. Customers are now able to familiarize themselves with the concept of mindfulness. This program can also help people suffering from a fear of flying.

Dishware on board

Reconsidering different ways of reducing weight on board, Air France chose to replace the china dishware by lighter melamine dishware for business and La Première Class on longer flights (long and medium haul). Since the launch of the project, 9 melamine items have been put to use, and Air France is currently working on 5 other items. By replacing 3 china items with melamine items, Air France saves 40 kg in each A380, while the visual aspect of the new dishware has remained the same.

SECRETS OF A SUCCESSFUL PRODUCT

To our customers, access to all the products needed to ensure their comfort and safety throughout their flight – meals, beverages, blankets, amenity kits, headsets, and so on – seems natural and obvious. And yet it is a constant challenge to design and deliver an attractive product that is viable from an economic, technical, logistical and operational point of view.

Loading a long-haul aircraft with its four cabin classes involves over 50,000 items, from the meals and beverages on offer, to comfort accessories, safety instructions and newspapers and magazines for passengers, to carts and other service equipment for cabin crew.

Product origins

Design, the first step in the life of an inflight product, is a joint effort with the Customer Department, where they identify and analyze passenger expectations and define the need and desired results. Cabin crew are also involved in the design of an inflight product providing input of their expertise with regards to inflight service.

The job of engineering, in cooperation with designers and manufacturers, can now get underway for the product to take shape, while input is also received from leading sommeliers or chefs.

From an idea to a finished product

For any catering item, both the container and its contents have to be taken into account, with criteria as diverse as physiological needs of passengers, the time when the plane leaves or its flying time, the configuration of the galleys, or a number of prerequisites to do with cabin crew serving methods.

The design of the equipment, such as tableware or service equipment, helps to define the product's shape and weight, as well as materials it will be made of. Air France has to take economic as well as volume factors, weight and ergonomics requirements for inflight service, into account.

To provide our passengers with a product that we have designed and produced, we implement a robust logistics system that can make the right equipment in the right quantities and with the right lead times available anywhere in the world. The goods are also subject to stringent safety and customs checks. There are dozens of agents in France and at outstations around the world who make all of this happen.

Once its production process has been finalised, the product can be offered to our customers for testing. Lounge customers on the ground, and passengers onboard an aircraft are an essential filter ensuring that the product fits the bill. Depending on customer feedback the product is then either declared as “fit for purpose” or it has to be adjusted.

Controlled end-of-life

The lifespan of products that are made available during flight operations does not necessarily end once they have been used on board. While some materials carried aboard international flights, and especially materials that have come into contact with food, must necessarily be incinerated, others may see their lifespan extended. For example, packaged products or beverages can be re-used on subsequent flights, while items whose sale has been discontinued and are no longer offered aboard are recycled, recovered or, where possible, donated to charities.

An activity in a constant state of renewal

Around 150 projects are being examined and/or developed at any given time, from replacing service equipment to trying out new catering offers.

For example, as part of its Best & Beyond Business Class, Air France set up a catering service where hot dishes were plated by cabin crew in the galley. This trial procedure, launched as a pilot in 2016, has been deployed in 2017.

KLM BEST PRACTICES

We aim to become the most customer-centric, innovative and efficient European network carrier by creating memorable experiences. We are KLM for you!

SOCIAL MEDIA PIONEER

KLM is the world's first airline offering customers the option of receiving travel information and flight status updates via WhatsApp, Messenger, Twitter and/or WeChat. Since 2009, KLM has gained a reputation as a pioneer in the field of social media services and campaigns. KLM has more than 25

million fans and followers on various social media platforms.

The company has more than 130,000 mentions a week on these platforms, of which 25,000 are questions that receive personal replies from more than 250 service agents – the world’s largest social media team. KLM offers customers 24/7 support via WhatsApp, Facebook, Messenger, Twitter, LinkedIn, WeChat and KakaoTalk (South Korea) in nine different languages.

In 2017, WhatsApp and KLM started a unique test for a new service on WhatsApp. KLM now offers booking confirmations, check-in notifications, boarding passes, flight status updates and a question-answering service in 10 different languages to its customers around the world on WhatsApp, via the official WhatsApp Business application. KLM is one of the first companies and the very first airline worldwide with a verified WhatsApp business account.

DESIGN DOING AT KLM

In 2017, KLM and Delft University of Technology (TU Delft) signed a cooperation agreement entitled Design Doing. The partnership is applying the ‘KLM X’ strategy of testing and optimising new products and processes in real-life situations, with real-life passengers in an airport or an aircraft setting, rather than in a laboratory setting. It is a first for the aviation industry, where it can often take years for new products to reach the customer. By doing so, KLM is investing in the application of what is known as Design Thinking.

Since it is unique for an aviation company to invest so much in design, the partnership between KLM and TU Delft is receiving active support from the Dutch government’s Creative Industry Top Sector in the form of a public-private partnership research and innovation premium from CLICKNL: the Dutch Creative Industries Knowledge and Innovation Network. The Creative Industry Top Sector is one of nine sectors in the top sector policy of the Ministry of Economic Affairs, which aims to provide a sustainable boost to the Dutch economy through innovation.

KLM CORPORATE BIOFUEL PROGRAM

Since June 2012, KLM has been the first airline in the world to enable corporate customers to become partners in the KLM Corporate BioFuel Program, and to have part of their travel powered with sustainable biojet fuel.

Currently, partners in the program are: Arcadis, LVNL (Air Traffic Control the Netherlands), Delft University of Technology, ABN AMRO, Accenture, FrieslandCampina, City of Amsterdam, Loyens & Loeff, Ministry of Infrastructure & Water Management, PGGM, and the Schiphol Group.

Participants pay a fee to bridge the difference between the price of traditional fossil fuel and sustainable biojet fuel. Thanks to this program, KLM will be using sustainable biojet fuel for all its flights originating in Los Angeles. The sustainable biofuel is produced by AltAir, a local Los Angeles based biofuel refinery.



AIRFRANCE KLM

Step up for a cleaner future

KLM has been committed to sustainable aviation over a long period of time. This has led to strong positions in the Dow Jones Sustainability Index. We believe in making aviation more sustainable, but pioneers can't do it alone. Fortunately, we're backed by a growing group of leading companies that share KLM's focus on sustainability. They participate in the KLM Corporate BioFuel Programme and, in so doing, invest in the development of sustainable biofuel. Interested in stepping up to the mark for a cleaner future? - klmtakescare.nl

KLM 

The KLM Corporate BioFuel Programme is powered by:












RESPONSIBLE CATERING

KLM has long been a leader in the area of sustainable catering within the airline industry. KLM Inflight Services actively looks for ways to incorporate environmentally responsible ingredients into in-flight meals. Fish served on board is MSC- (wild fish) or ASC- (farmed fish) certified, and all coffee

and chocolate is UTZ-certified or Fairtrade. Veal and chicken meet the standards of the Dutch Beter Leven kenmerk 1-ster (Better Life quality seal). Palm oil is certified by the Roundtable on Sustainable Palm Oil (RSPO) and soya by the Round table of Responsible Soy (RTRS).

Over the past few years, KLM Inflight Services has developed partnerships with a number of local partners. For example, bread that goes into sandwiches served in European economy class, is made with locally grown wheat, milled in traditional windmills in North Holland.

KLM's efforts to promote sustainable catering are getting noticed. KLM received the Seafood Champion Award, and The Compassion in World Farming organization recently presented KLM with the Good Chicken Award, the Good Egg Award and the Good Dairy Commendation.

Materials

KLM is the first airline with polypropylene meal trays. These meal trays are used in economy class. This material is lightweight, and has less of a negative effect on the environment than ABS and PS. Polypropylene is now also used for economy-class cutlery.

Gorilla Bar

Last year, a sustainably manufactured chocolate bar was added to the snacks assortment in World Business Class (WBC). An Amsterdam chocolate factory has manufactured a special miniature version of their popular "Gorilla Bar" for KLM.

KLM is in favor of supporting start-ups like Chocolatemakers, which has been around for only five years. Chocolatemakers is a so-called "bean-to-bar" artisanal chocolate factory that buys its organic cocoa directly from local farmers for a good, fair price. The chocolate bars have 100% recyclable wrappers printed with organic ink. At present, Chocolatemakers are working with farmers' cooperatives in Peru, the Dominican Republic and Congo.

The production and sale of the Gorilla Bar serves a dual sustainability objective, because the chocolate is named after the last mountain gorillas in the world. The gorillas live in the Vinunga National Park in Eastern Congo and their habitat is endangered by human activity. To protect the gorillas, cocoa has been planted along the edges of the reserve. These organic cocoa plantations provide the local population with income, while also reducing the risk of logging and poaching which are a threat to the gorillas and their habitat. Therefore, buying this chocolate contributes to the conservation of mountain gorillas and helps in ensuring a brighter future for local inhabitants.

Local culture programs and services for children

KLM's Route Dedicated Services (RDS) program is especially geared towards the culture and needs of passengers from Japan, South Korea, China and India. Passengers can choose between a Western or a "local" in-flight meal, and are assisted by local cabin crew members on flights to and from Japan, South Korea and China.

KLM offers children the Bluey playset and special child meals upon request, so that children and their parents would have a more comfortable flight experience.

THE NEW GENERATION TRAVEL EXPERIENCE

JOON: OUR NEW COMPANY

First name: Joon

Last name: Air France group

Date of birth: 20 July 2017

Place of birth: Paris-Charles de Gaulle

Size: 160 staff in 2017, over 1,000 in 2020

Nationality: French

Job description: A fashion brand, a rooftop bar, an entertainment channel on demand, a personal assistant... and also an airline

Number of aircraft: 28 in 2020 (18 medium-haul Airbus A320/A321 and 10 long-haul Airbus A340/A350)

Joon is a new state of mind, a breath of fresh air in the airline business. On the move all the time, with Joon, you can choose your own way of travelling, and enjoy experiences on board and beyond.

The first destinations in 2017 have been Barcelona, Berlin, Lisbon and Porto. Customers can now choose Joon to go to Istanbul, Naples, Oslo, Rome, Fortaleza, Mahé (Seychelles), Cairo, Cape Town and Tehran.

A Business, Premium Economy and Economy offer for absolutely everybody: For one-way or a round-trip, travelling for business or just for fun, travelling with a large suitcase or just a carry-on, with Joon, you can personalize your trip.

Joon is Air France's little sister, benefiting from all her experience: easier connections at Paris-CDG, the possibility of earning and using Flying Blue Miles, SkyPriority services and Air France assistance.

INNOVATION LAB

Joon strives to create experiences for its customers, both on board and beyond. This company is a lab where testing and learning comes first and foremost, and whose goal is to positively surprise customers throughout all the steps of the journey.

On board, innovation is highlighted with YouJoon, a streaming channel. On their personal devices, passengers have access to a large catalogue of entertainment: series, cartoons, Web TV, and movies for children.

Joon is a laboratory where the ruling principle is that of testing and learning. The company strives to create a network of innovative partnerships that can also be deployed at Air France. With their outstanding and smart solutions, Joon's first partners are:

- TravelCar, which takes care of your car at Paris-CDG while you are away and provides you with free and fully secured parking by offering to rent your car to other private persons.
- Airbnb Experiences, that invites you to enjoy an authentic travel experience.
- Le BHV Marais, which has concocted a unique tour of Paris with three exclusive packages.
- Waynabox, an exclusive partner at Joon destinations on departures from Paris, that reveals your destination just 48 hours before departure. After you choose a weekend package. Waynabox takes care of everything.

AN ECO-RESPONSIBLE APPROACH

The catering purchase policy of the company is set to be sustainable: Joon proposes 13 organic products on their menu, including coffee and pastries.

Every customer can also try one of the sixty treats, of which 20% are organic. A wide part of the selection is also locally-produced.

With its chic sportswear look, Joon's flight attendants' uniform is inspired by its customers and reflects the spirit of the company: sneakers, redesigned sailor stripes and a sleeveless quilted jacket. But it's not just about the look, it's also about the eco-responsible approach: some components of the uniforms for flight attendants are made with recycled materials that contain more than 60% of polyester made of plastic bottles.

787 DREAMLINER



CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

Employee journey

GROUP SOCIAL POLICY

The Corporate Social Responsibility Statement and the Social Rights and Ethics Charter form the foundation of the Group's commitments by reaffirming the values and fundamental rights that guide our social and ethical policy.

MEETING ECONOMIC CHALLENGES

We recognize the constraints and risks to which the Group is exposed and the need to adapt to a more rapid pace of change. At the same time, we seek to preserve cohesion by fostering a constructive and transparent workplace dialogue and by pursuing a policy based on treating individuals with respect and responsibility vis-à-vis customers. This major action priority is at the heart of the Trust Together strategic plan.

For Air France-KLM, the coordination of the social dialogue takes place in each of the entities comprising the Group and within the Group's European Works Committee, bringing together the representatives of staff whose head offices or entities are based in the European Community.

- The Group's European Works Committee (Comité de Groupe Européen) met twice during 2017.
- During these meetings, the following matters were addressed: the Group's financial results, an update on Europe, the flight schedule, the alliances and the launch of Joon.

AIR FRANCE FOCUS

At Air France, the Trust Together project's goal of putting the employee at the heart of the business gained all its meaning with the launch, in 2017, of the Employee Experience initiative. Taking into account the results of the different barometers and tools to listen to employees, this initiative acts in symmetry with the customer-orientation strategy.

- The promotion of a more attentive relationship with employees helps to facilitate engagement and efficiency.
- Seven commitments responding to the expectations of employees were identified: #Motivation, #Initiative, #TeamSpirit #Development, #SocialDialogue, #SocialResponsibility and #Health&Safety. Numerous achievements were highlighted and are being developed both in the entities and transversally across the company.

With the Employee Experience initiative, the company's objectives were discussed more effectively with the unions in full transparency.

In 2017:

- The strategic Monitoring Committee enables sensitive issues relating to the air transport industry environment and Air France's strategy in its different markets to be addressed with the company's experts. Six meetings were organized on various matters such as the Fuel Policy, the Distribution Strategy, route economics within the framework of the Boost project and the growth outlook for the E&M business.
- The "Comité du Groupe Français" met on several strategic matters such as the Trust Together project, the Air France Group's financial situation and the flight schedule.
- Ten meetings of the Air France Corporate Works Council were organized to consult or inform the elected representatives on the major orientations relating to the company's overall situation and, notably, on the results and the project to set up an airline (Joon) as a 100%-owned subsidiary of Air France, and on the HR policy, working conditions and employment.

KLM FOCUS

At KLM, the HR Activity Plan 2017 was based on the KLM Flight Plan 2017 and focused on facilitating the workplace dialogue. Last year we saw an acceleration in the development of HR products and services. Following the roll-out of the HPO organization in 2016, a huge impulse was given to "getting the basics right" and innovation to reach the 2020 goal: "Ensure that employees are the best version of themselves", by creating an engaged workforce working together in an optimal manner pursuant to the strategy and consistent with the KLM Compass.

In terms of social dialogue and employee information in 2017:

- Ten meetings of the KLM Works Council were held, attended by KLM's President and CEO.
- Ten meetings took place between the Management and the eight permanent committees, devoted to subjects like health, Human Resources policies and safety.
- The KLM Works Council participated in two strategy meetings, with representatives from the Supervisory Board.
- Seventeen requests for consultation and advice were handled this year.

TRAINING AND DEVELOPMENT

Training and internal mobility are the key factors in the success of our employment policy.

TRAINING AND MOBILITY

We have maintained a high level of access to training:

- 35h and 40h: number of training hours per employee at Air France and KLM respectively
- 1.77 and 1.13 million: total number of training hours at Air France and KLM respectively

Along with the required training necessary for our specific jobs, we offer digital training on various subjects. Our digital platforms are accessible through different types of devices, from anywhere, at any time. These platforms help achieve strategic objectives by developing managerial skills and by making learning fun.

Focus Air France

Training

In 2017:

- 97.5% of staff received training in 2017 at Air France
- The number of training hours increased by 24% at a total cost of €182 million.

This increase reflects the support for the company's employment policy and strategy, which are also an integral part of the Employee Experience:

- Guaranteeing access to training for everyone;
- Ensuring the visibility of everyone's skills, notably by developing graduate training and certifying diplomas;
- Managing the economic balance.

Employees' professional development took the form of support for mobility, re-training and training for vocational needs. In this case, the training programs served a dual objective: adapting employee skills to their new positions and developing their employability based on the business needs.

- In 2017, training courses covered various fields such as maintenance, IT, ergonomics, procurement or human resources.

Air France continued to deploy a particularly innovative program, combining Validation of Prior Learning (VAE) and training courses, backed by a network of universities and schools.

- The company has assumed full responsibility for the cost of supporting individual employees looking to achieve a formal qualification, and recognizing their expertise in the form of a Validation of Prior Learning diploma.

In 2017, 192 employees were awarded diplomas and other certifications of qualification during these various training initiatives, thereby making an active contribution to everyone's professional development and employability.

Internal mobility

In 2017:

- 850 internal transfers were registered;
- the division welcoming the most internal mobility transfers was the Maintenance division.

One of the key challenges for job mobility is communication. The company developed systems through which their needs could be advertised to the employees. Mobility Centers offered specialist

career mobility guidance. In 2017:

- 3,000 employees received individual support to change jobs.
- 1,960 people attended thematic conferences and job-dating events, showcasing the company's professions.
- 890 participants joined mobility workshops that dealt with interview preparation, job transfer planning, etc.

Focus KLM

Immersion sessions were organized across KLM to promote a better understanding and appropriation of the KLM Compass (KLM's purpose and ambition) combined with the desired customer experience. Their objectives were met thanks to the professional behavior of both the staff and management.

In 2017, KLM's Learning & Development (L&D) department rolled out a Team Development Program. This program supports the new teams that are formed within the framework of the High Performance Organization, helping them to define their role more precisely:

- Strategy, KLM Compass and team and individual contributions are the pillars of this program.
- In its first phase the program focused solely on the first organisational layers (70 teams, 300 team members), before extending, as of summer 2017, to all the ground teams (129 teams, 1,450 team members).
- This program will continue in 2018.

In 2017, KLM set up a Fund for Development and Education (€7 million) for ground staff (12,000 employees):

- A sum of €1,750 (including VAT) has been made available per person, for as long as the budget holds out.
- The aim is to encourage KLM staff and facilitate activities enabling them to discover and develop their talents. Six weeks after the launch of this fund, 30% of the budget had been spent and 50% of the target audience had already signed up for a training course.

YOUNG PROFESSIONAL AND INTERN DEVELOPMENT

We continue to fulfill our responsibilities towards young people entering the labor market.

As part of the Sixth Air France Internship Charter, Air France offers young professionals the opportunity to gain quality work experience:

- More than 2,200 (3% of total staff) new interns from further and higher education institutions were welcomed in 2017.
- In order to continue the development of internships at Air France, the ambitious program was expanded to cabin crew professions. In 2017, we welcomed more than 250 cabin crew apprentices, whose have up to 300 hours of training that results in a professional certification (Cabin Crew CQP), which is recognized across the air transport industry.
- Initiatives were made to support access to employment for apprentices in the local area, such as workshops for job seekers, job fairs and networking with employers in the Paris-CDG airport employment area.

220 volunteers of Air France have signed up for the role of University Relations Ambassador, representing and promoting Air France as an employer to potential candidates at their own former schools or universities. Some of the actions taken in 2017 were:

- attending university fairs
- organizing student hackathons
- working on the development of business-education partnerships
- organizing student visits of company offices
- promoting different roles within the company through videos on our new Careers site.

In the past few years, the employment market has undergone a major transformation, making the search for new talented individuals a challenge. In 2017:

- KLM hired 26 young potentials: 12 young graduates were enrolled in the KLM Management Trainee Program, 6 in the IT Management Program, 4 in the Finance Program and 4 in the MRO Talent Program.
- 803 interns were welcomed to KLM, demonstrating the Company's commitment to students and new graduates, by offering them the opportunity to gain valuable work experience and preparing them to enter the job market.

The high number of applications for both the Development Programs (3,250) and internships (approximately 1,200) testifies to KLM's attractiveness as an employer. This year KLM ranked number three on the list of the most popular employers for Engineering and Logistics (Memory Group) in 2017.

In 2017, we were awarded The Happy Trainees label by the *meilleures-entreprises.com* ("best companies") website, in recognition of the quality of the welcome, the mentoring and the supervision we provide for our interns and apprentices. 86% of them state they would recommend Air France-KLM as an employer, giving it an overall score of 3.97/5. Some of the aspects they evaluated were the working environment, motivation, and perceived pride and pleasure.

INTERNATIONAL STAFF

8,134 employees, accounting for 9.3% of Air France-KLM staff, are placed in international establishments at different local Air France-KLM offices.

Guided by the Social Rights and Ethics Charter, the Group applies local collective bargaining agreements, agreed on with unions or other relevant parties, according to local standards.

Various local management and talent development initiatives are in place. For example:

- Our worldwide Sales Excellence Program has the ambition to offer the best possible training to its local sales teams in order to become number one in sales for our corporate customers and trade partners. The key objective is to become more target-, opportunity-, and customer-driven by giving the local teams, in every establishment, the right tools and the right training. In that respect, the investments done in state-of-the art CRM tools will further improve productivity and customer centricity of our sales teams.
- In 2017, the Innov'Africa program has been launched to promote innovation and enhance employees' initiatives. Innov'Africa, made for local staff of the Group in Africa, aims to highlight innovating or well-managed projects. The key words are innovation, exemplary practices, sharing

and gratitude. The first phase of the program took place in local destinations. Employees were able to compete to present an idea or project. Every three months, three projects were selected in the whole African zone. The 9 finalists won a trip to Paris and the year's best project was awarded.

HEALTH AND SAFETY AT WORK

Health and safety of staff in the workplace and maintaining a good quality of life are imperative and an absolute priority.

RISK PREVENTION

The task of ensuring health and safety at work involves social and financial aspects that have a direct impact on the company's business.

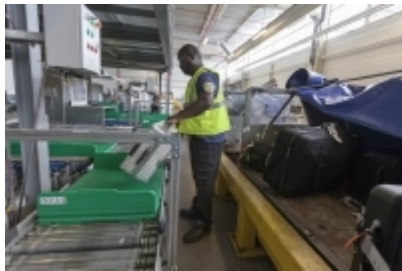


- At Air France: Our goal, within the context of the implementation of the strategic Trust Together plan and its accompanying Employee Experience initiative, is to ensure the prevention of professional risks and the development of quality of life at work. Therefore, reducing risks, occupational illnesses, and workplace accidents are our high priority areas. In 2017, this commitment translated into the renewal of the certification for Air France's robust health and safety management system, in force at all levels of the company.
- KLM's objective is to become a world leader in aviation safety. The company aims to reduce the number of workplace incidents to an absolute minimum. KLM therefore focuses on a global approach to all-health related matters, to be able to pursue a more concrete and efficient policy. KLM will increasingly invest in preventative measures, to improve working conditions and promote healthy lifestyles for its employees.

Being vigilant and taking action are now more of a priority than ever. The managers' involvement in the field and the alertness of all staff, supported by a network of health and safety managers, enable the detection and prevention of difficult situations.

To place accident avoidance and a culture of risk prevention at the heart of our business, we have reaffirmed our long-term commitment to the following four priority themes:

- Preventing serious accidents: the physical and mental well-being of employees and partners must be a primary concern
- Respecting and making other people respect the rules when running operations and managing infrastructures and materials
- Developing ergonomic approaches: reducing the incidence of musculoskeletal disorders
- Improving the quality of life: preventing psychosocial risks in the workplace with the awareness that the well-being of everyone contributes to the company's levels of performance and customer satisfaction
- Consolidating our management system: continuous improvement-based approach to Health and Safety in the Workplace.



RESULTS AND OBJECTIVES

At Air France, the management of this approach is carried out through a voluntary policy of workplace health and safety that makes use of a detailed overview of the results of every division. As part of the Integrated Management System at Air France, specific annual health and safety performance target contracts were signed by the senior executives of each division.

The actions carried out in 2017 enabled to slightly reduce the frequency rate of work accidents. Moreover, the rates of recognized professional illnesses and permanent partial disabilities are durably lower than the national averages.

MAIN TYPES OF ACCIDENTS AT WORK AT AIR FRANCE IN 2017



29%

Physical constraints,
musculoskeletal
disorders



27%

Barometric otitis

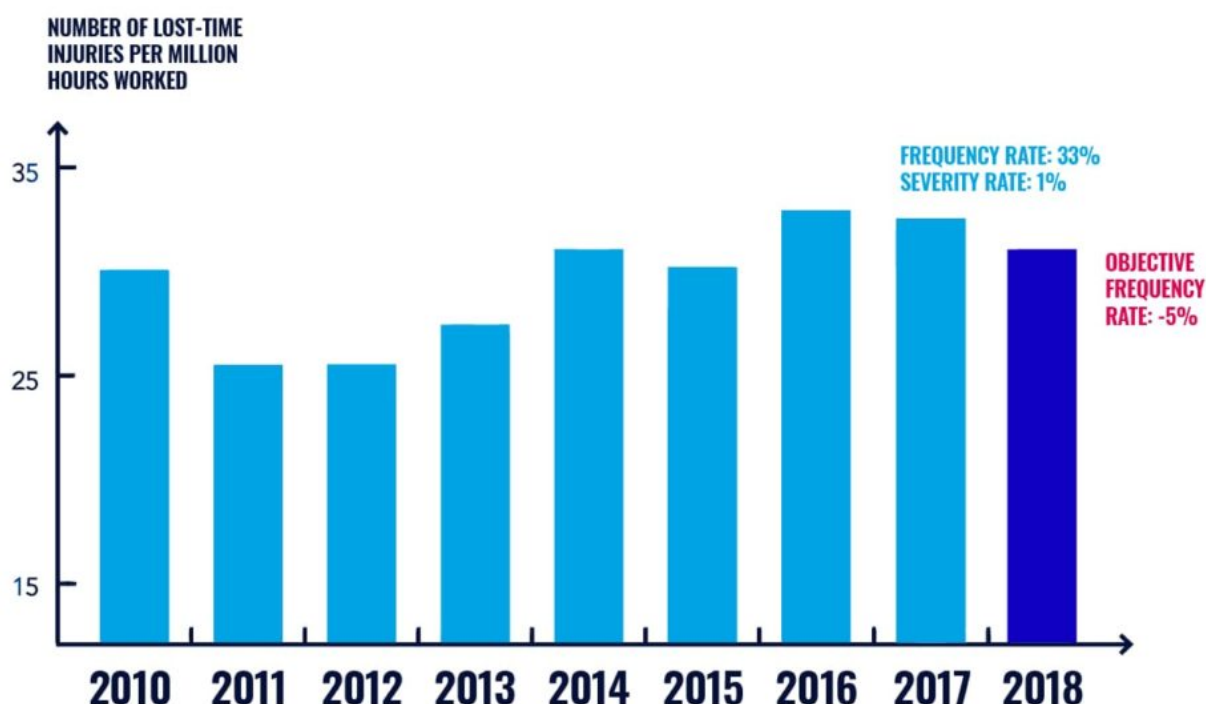


17%

Floor-level falls

In 2017 (in late November), four serious occupational accidents were recorded within KLM, meaning that the 2017 target of fewer than four serious accidents was unfortunately not achieved.

GLOBAL FREQUENCY RATE, AIR FRANCE



KLM initiated a new program to further improve Occupational Safety. This program included a benchmarking exercise with other airline and comparable Dutch companies, the development of Occupational Safety policies, continuous Risk Assessment & Evaluation, occupational requirements factored into audits, and the introduction of goal setting within divisions.

QUALITY OF LIFE IN THE WORK PLACE

The Group pays particular attention to quality of life in the workplace. Various initiatives help employees with their life-work balance, which has shown to improve performance.

At Air France, an additional clause to the 2015-2017 Agreement aiming to ensure improvements in organization, working conditions, quality of life in the workplace, risk prevention and physically demanding jobs, was signed in 2017. The measures include the prevention of psycho-social risks and the implementation of training and innovative support programs. An assessment of the first three years of this agreement enabled concrete improvements, such as:

- A 300% increase in the number of teleworkers and progressive diffusion of this possibility to employees in every division;
- An ergonomic approach in a growing number of new projects, especially thanks to the increase of trained professionals;
- Childcare for single-parent families with an access to a platform of professionals;
- A regular increase in the number of given days within the "Donation of Days" initiative, for colleagues who need to care for a seriously ill or disabled child in need of a sustained presence;

- An improvement in the amount of zero-rate loans;
- Launch of a trial measure to help caregivers.

The new workplaces in Air France headquarters and in offices abroad are created to foster an atmosphere of sharing and communication, promoting a collaborative way of working and an agile organisation.

The Workplace Harassment Prevention Charter includes a counselling unit and dispute resolution processes for people who feel to be victims of workplace harassment (whether psychological or sexual), and individuals experiencing “acute mental suffering” that could harm their physical/mental health and cause maladjustment at work, as well as for people accused of harassment, in keeping with the presumption of innocence.

HEALTH: AWARENESS AND PROTECTION

Our health services look after the employees’ health and advise them about current and emerging occupational risks.

At Air France in 2017, 29 vocational physicians and 60 nurses ensured the clinical and psychological screening of the company’s employees, advised on healthy lifestyles and the prevention of vocational risks, and provided emergency medical care. This advice was dispensed both individually and during group information sessions and awareness-raising initiatives within the framework of forums, informative campaigns and visits to workshops, offices and flight crews.

Air France is committed to combating AIDS and participates, with the Red Ribbon action, in World AIDS Day which takes place every year on December 1st, when the employees are encouraged to wear the red ribbon label pin on their uniforms to express their support. On this day in 2017, employees could make a donation to the Sidaction association that fights against AIDS.

Within KLM, the focus moved towards a more integral approach to the themes influencing the long-term employability of staff. These themes are summarized in the so-called “House of Work Capacity”.

KLM is in the process of running trials for a number of new initiatives aimed at promoting employee health and the prevention of serious health issues. For example, an online tool is offered to prevent absenteeism due to psychological causes. With the help of this tool, issues are signaled rapidly and employees can forestall the emergence of light and moderate psychological issues.

SOME TESTIMONIES

“In order to reduce the number of musculoskeletal risks, we take part in the roll out of the Preventing risks linked to Physical Activity training-action within our teams: through the network dedicated to it and the project management, we contribute to the improvement of work conditions and facilitate practices that will help preserve our health capital.”

Coordinator Prevention linked to Physical Activity – Air France

“Preventing risks is also employing good managerial practices. I make sure my colleagues are trained and informed when incidents occur. And I never hesitate to positively emphasize the need

for agents to show appropriate respect for a process or to call to order if a situation presents a risk”.

Ground Operations Manager – Air France

DIVERSITY AND EQUAL OPPORTUNITIES

In line with our Social Rights and Ethics Charter, we pursue a social policy based on integration through work and respect for equal opportunities, combating discrimination and promoting diversity.



FOSTERING EQUAL OPPORTUNITY

At Air France and KLM, internal recruitment, selection and professional development processes are governed by a code of ethics.

As a signatory of the Diversity Charter, Air France expresses its desire to better reflect, in its workforce, the diversity of the French population and to struggle against any form of discrimination. The airline organises awareness-raising actions and uses a range of information tools to support managers and raise awareness among the employees, such as e-learning, classroom training modules, and a practical guide on religious diversity in the workplace.

In January 2016, Air France signed a new labour agreement, “ATGPEM” (Accord Triennal de Gestion Prévisionnel des Emplois et des Métiers et Contrat de Génération du Personnel au Sol). A chapter is dedicated to managing people of different ages (generation contract), for example, the continuing

occupational integration for young people, employment for seniors and transmission of know-how and skills.

KLM is committed to encouraging diversity and inclusivity. In 2017, a panel became responsible for the subject and defined an ambition based on the KLM Compass: "KLM believes in the power of diverse teams where anyone can be the best version of themselves". Diversity is also one of the themes featured in the Management Development plans. The employees have visited several companies to learn from their success stories and find inspiration for their own initiatives on diversity.

GENDER EQUALITY

For more than ten years, professional equality between women and men has remained a key issue and progress area in HR management.

- A series of female-male comparative indicators have been included in the steering of human resources policies and management processes (training, careers, quality of life in the workplace, remuneration...). These indicators are monitored annually within the framework of an audit carried out with each division to make sure women and men are treated equally.
- By signing the Parenthood Charter, Air France committed to help change mentalities in the company. It offers an enabling environment for parents-employees and respects the principle of non-discrimination in the occupational evolution of parents-employees. A special training module was established to support employees returning to work after maternity and / or parental leave, aimed at enabling a smooth transition back into working life within the framework of a positive work / life balance: three training sessions were proposed in 2017.
- As part of its policy designed to promote gender diversity throughout the company and to enhance the access of women to decision-making positions, Air France aims to achieve the target of 5% more female managers in 2020 (objective integrated in 2016 into the annual performance contracts signed by the Executive Committee). In 2017, this percentage stood at 34.6%.
- A coaching scheme was established for high-potential women, alternating collective with individual coaching sessions to promote access for women to positions of responsibility at the highest level within the company and the Group: 30 high-potential women took part in this program in 2017.
- In March 2017, on International Women's Day, the "Dare To Speak" initiative was introduced, so that employees could report unpleasant situations and sexist language occurring in the company. Everyone was encouraged to testify and to freely express themselves in the "Sexism, not our style" group, on our corporate social network "Yammer", and on the email address bp.osonsledire. This awareness campaign on everyday sexism helped in informing people and created a platform for factual and objective free speech. Since this event, the group "Sexism, not our style", as well as the email address bp.osonsledire have been actively maintained.
- Company employees, such as female pilots, were part of the Air Women's Day, organized by the AFFP (French organization of female pilots). On this occasion, and on an annual basis since 2016, Air France has granted a scholarship to a young girl to encourage her to fulfill her sporting dreams and a career in air transportation;
- The Industry Department was part of the "Let's increase female representation in air transportation jobs" action, in partnership with AirEmploi (association of which Air France is a founding member and whose mission is to inform on and promote jobs in air transportation as well as various related courses) during the Paris Air Show. The aim is also to promote technical jobs so that junior and high school students near airports would get interested, and to award them within the framework of a national challenge.

WOMEN IN THE GROUP (%)

BOARD OF DIRECTORS			41.2%
EXECUTIVE COMMITTEES	Air France-KLM		25.0%
	Air France		33.3%
	KLM		12.2%
SENIOR MANAGERS / EXECUTIVES	Air France		32.5%
	KLM		23.2%
GROUND STAFF MANAGERIAL	Air France		34.6%
	KLM		27.4%
FLIGHT CREW MANAGERIAL	Air France	Cabin crew	52.3%
		Cockpit crew	6.6%
	KLM	Cabin crew	69.9%
		Cockpit crew	3.5%
GROUND STAFF NON MANAGERIAL	Air France		41.2%
	KLM		29.4%
FLIGHT CREW NON MANAGERIAL	Air France	Cabin crew	66.4%
		Cockpit crew	7.7%
	KLM	Cabin crew	86.0%
		Cockpit crew	6.0%

At KLM, Women on Board, formalized in 2016, aims to contribute to change, improved efficiency and better results by unleashing female potential and encouraging gender equality within the company.

All female members of KLM staff with the ambition to grow and actively contribute to KLM's goals are invited to join the network. To this date, Women on Board has 750 members.

In addition, the initiatives promote dialogue around gender diversity, aimed at an overall contribution to different leadership styles, which in turn will support a transformation across the company and generate better results and higher levels of performance.

DISABLED PEOPLE

We have a proactive approach to helping people with disabilities into work. In 2017, the Group employed 2,880 people with disabilities, which represents nearly an 11% rise compared to 2016.

Air France signed the 10th Disability Agreement 2018-2020, which aims to pursue and strengthen initiatives to promote improved, career-long support for employees with disabilities. In 2017:

- The share of employees with disabilities within the total workforce continued to grow to 6.38% compared to 5.84% in 2016. Air France exceeded the objective of reaching a 6% employment rate of persons with disabilities (global Corporate goal including direct actions and buying from the

sheltered sector).

- 29 people with disabilities were recruited by Air France.
- Employees with disabilities were aided in retaining their jobs, through support and adaptation initiatives, thanks to 200 actions in 2017.
- Increased use of companies and organizations in the sheltered sector: more than €19 million of purchases from this sector.

KLM continues to offer an employment guarantee to individuals whose disability rate is assessed at below 35%, meaning that they either remain employed by KLM or receive support in securing employment outside the company. To employees whose disabilities render them incapable of work and who are within five years of the legal retirement age, KLM offers protection from layoffs.

Employees affected by disability and returning to work receive proactive support from case managers within KLM. When KLM employees are unable to return to their jobs due to disability, they are automatically offered an appropriate position without having to complete a new application process. Since 2010, KLM has benefitted from an Advisory Committee supporting the monitoring of these measures and proposing improvements. In 2017, this Committee reviewed 676 cases, offering each case manager advice on how to increase the chances of finding new positions for employees or enabling them to return to their previous jobs. KLM is committed to actively furthering the vocational integration of disabled persons and to maximizing their potential economic contribution.

During the Round Table Seminar on Inclusive Aviation in June 2017, the aviation industry formulated the ambition to recruit 100 persons with disabilities around Amsterdam Schiphol Airport in 2017/2018. Besides a wide range of activities, an important part of the Inclusive Aviation Program were the three Meet & Greet events with 90 “Air Potentials”, or persons with disabilities that have the potential to work for a company in the airline industry. In total, the Inclusive Aviation Program enabled the recruitment of 75 individuals in 2017, with three more in the recruitment process. KLM employed 20 persons with disabilities in 2017.

INCLUSIVE CORPORATE CULTURE

Air France and KLM are committed to equality and respect for sexual orientation and therefore have a number of networks and initiatives in place, such as “Personn’Ailes” and “Over the Rainbow” LGBT networks. For example, Air France supported “Personn’Ailes”, the association of LGBT and Gay Friendly employees of the company, by financing the presence of a float in the Gay Pride parade in Paris in June 2017. These kind of actions reaffirm the company's commitment to social inclusion among its employees as well as its customers.

To become a High Performance Organization, KLM needs to have an inclusive corporate culture that values and appreciates a diversity of talents. To build such a culture, the Over the Rainbow LGBT network has recently been reorganized to become more aligned with KLM's overall diversity program and the KLM Compass, creating synergy between the needs of employees and customers belonging to the LGBT community, and the KLM strategy. In 2017, KLM focused its efforts on developing this new strategy and common initiatives, including:

- A sponsor appointed to the KLM Executive Committee;
- Top Management support for the approach and action plan;
- A sales campaign on the social media was launched to coincide with Amsterdam Gay Pride;
- A new logo was unveiled, aimed at putting the emphasis on the link between the Over the Rainbow network and the KLM strategy.

INNOVATING AND INVOLVING EMPLOYEES

Our employees are encouraged to contribute to the Group strategy by putting forward ideas and suggestions.

Getting teams involved in the planning and implementation of various projects is envisaged as a long-term approach, which testifies to our ambition to bring about deep changes in the way we work.

LISTENING AND INVOLVING STAFF

The Air France Employee Experience initiative

Numerous achievements were made in 2017 both within the airlines and transversally across different divisions. Here are some examples:

- Within the framework of the #Motivation undertaking, Air France encouraged the emergence of a HappyCulturers community within the teams, by gradually transforming the working and common spaces, proposing new digital tools and developing mobile applications facilitating access to online training. Employees increasingly acted on their own initiative by developing their own ideas and projects. Hackathons were organised and a feedback culture was also developed with “short feedback loops” between managers and their teams.
- #TeamSpirit was reflected in the creation of Digital Champions to promote the company’s digital transformation amongst their colleagues.
- In January 2018, the #SocialResponsibility commitment was achieved with the first citizen solidarity day organised by Air France, called “Better Together”: for one day, during their working time, 1,000 employees were able to join forces with different associations. In the first edition of this initiative, the employees could choose to take part in one of 60 assignments set up jointly with 43 partner associations working in the following fields: supporting children in need, education, training, employment, disability and health, the fight against insecurity, environment and intergenerational sharing.
- To measure progress on this initiative and its in-field effects, Air France relies on the Employee Promotor Score, which is based on the Net Promotor Score model, the indicator used to measure the level of customer satisfaction. The EPS had moved up by ten points during 2017.

Measuring employee engagement at KLM

Faced with the recent organizational changes, KLM decided to develop a new methodology to measure the level of employee engagement that would reflect the concrete integration of the KLM Compass into the workplace and correspond to the new KLM organization. Currently a tool is being developed to measure employee engagement on both corporate and divisional level.

This EPS (Employee Promotor Score) metric, evaluated over a short cycle, generates input for the dialogue between the management and employees. The results from the trials effectively enable KLM to understand the solutions that need to be developed more widely on the company level. The first trials were launched in September 2016 and, in 2017, several of these trials were repeated. These experiments have proven very useful and continue to deliver information that will enable their ongoing improvement. In addition, a redesigned trial was initiated within Ground Services in November 2017. Furthermore, during 2018, a regular KLM-wide measurement will be introduced in which randomly selected employees will anonymously rate KLM as an employer. The results should be used to generate a KLM-wide eNPS (employee Net Promotor Score) measurement. The preparation for this tool took place in 2017.

Winning Way of Working (WWoW)

KLM is seeking to create a Winning Way of Working, enabling the company to:

- strengthen communication on KLM purpose, the KLM Compass and the Customer Experience
- help employees reach their individual potential and that of their teams
- attract, develop and retain the right talents
- position innovation at the heart of KLM's activity
- optimize the use of facilities and resources

Employees can thus contribute to the company's ambition of becoming the most customer-centric, innovative and efficient European network carrier. WWoW promotes synergies between the three main drivers impacting the KLM working environment: Moving Your World, Digital Transformation and the Real Estate vision. WWoW thus addresses all aspects of the working environment. In 2017, KLM developed this concept and created the Design Guide 2.0. For 2018, the local concept for two buildings (Ground Services at Schiphol- Center and Component Services at Schiphol- East) will be developed with a view to a further implementation of the Guide.

STIMULATE COLLABORATION

We are developing collaborative and innovative projects that allow employees to work together across sectors.

Caring attitude

Improving communication and interpersonal relations among staff is imperative, as the quality of service for the end-customers depends on the quality of relations "backstage". The caring attitude comes from a core Air France brand value. The idea is to simultaneously be attentive and caring, creating value for the company and the customer in everything we do, and being truly proud of the business.

In 2017, Air France reaffirmed its commitment to putting "people" at the heart of its strategy and being the company most attentive to interpersonal relations. Air France teams are still trained on the Five Attitudes of the Service which define the company: "to personalize, to add value, to pay attention, to have a sense of detail and to dare".

- An important training programme for operational managers has been implemented. 3,600 cabin

crew managers, 70 hub rooms' managers and 150 Air France direct sales managers were trained to give a new impetus to the Caring Attitude. This program has been designed to give more meaning to the whole approach and reaffirm the strong messages shared by all managers: exemplary behaviour, room for error, possibility for every employee to take initiative. Individual tests have been suggested, that would enable managers to get to know their strengths and to learn how to improve the Caring Attitude they are supposed to embody and coach, so that they could find their own formula to further develop in their manager roles.

- "Empowerment" budgets were extended to support initiatives taken for customers, a true commitment leverage for employees and a pleasant experience for customers.
- Convinced that the right balance of attention is essential to deliver a good Customer Experience, the company has started an in-depth work on the Employee Experience, taking the same approach as it does in working on Customer Experience.

CSR AWARENESS

The Group has a number of different channels for in-house communication of CSR information:

- The Air France-KLM Yammer platform, where "Air France Takes Care" and "CSR at KLM" groups were created to encourage employee communication and interaction. The shared information and discussion forums are open to all employees.
- The KLM CEO Mailbox, where employees can suggest innovative ideas.
- "Les Managers Cafés" at Air France: it hosted 44 internal conferences in 2017 whose subjects addressed current CSR themes such as innovation, new management, circular economy or sustainable tourism.



- Meetings on various CSR themes regularly organized at Air France and KLM, notably during Sustainable Development Week.
- Internal forums on the subject of environment.

Awareness-raising initiatives for employees are taken through in-house surveys, gathering employees' impressions and suggestions.

In February 2017, the materiality questionnaire was sent to a panel of 20,000 Air France and KLM employees (managers and non-managers) and the Group stakeholders, with a 13.7% response rate. Some of its results are:

- The top five material topics are: customer satisfaction, safety and security, market competitiveness, operational performance, financial performance.
- Fleet development and innovation follow with good scores.
- Social topics such as human rights, labour relations & social dialogue, health and safety scored high.

AIR FRANCE-KLM EMPLOYEES

SURVEY REALIZED IN 2017



INNOVATION PROGRAMS

Air France and KLM encourage employee involvement in progress and innovation initiatives.

DIP at Air France

Developing Innovation Program (DIP) at Air France is a system allowing everyone to introduce changes to the company. Any staff member can suggest an innovation or an idea on how to improve a process in their area of activity and become an agent of innovation. The DIP program has seen further deployment with the aim of covering 100% of the company, this contributing positively to the company's performance. The best ideas by category are rewarded each year.



Around 8,135 suggestions were submitted in 2017. Ideas reflect the Group's strategic priorities:

- The top three topics are: quality management, customer satisfaction and simplification.
- Ideas about occupational health and safety are crucial for risk prevention purposes.

The grassroots approach is central to Trust Together ambition and is a key part of the

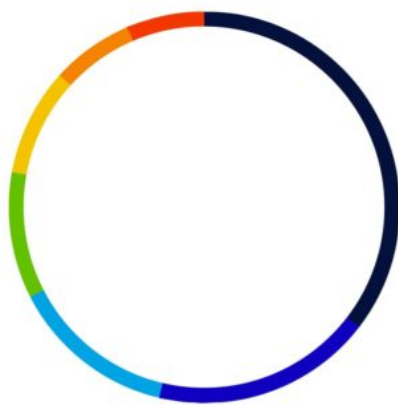
transformation mechanism.

In 2017, the CSR Department launched a new DIP: "Supporting the fight against waste". Every employee of the company could participate since the challenge was non-hierarchical and open to all.

The program proved to be a great success, with 386 ideas rapidly sent in, which confirmed the quality, diversity and inventiveness of Air France employees. The "jury's favorite" was the creation of a "cleaning day", whereby everyone's irrelevant mails are deleted along with the CO₂ emissions generated through their storage.

DIP IDEAS PER TOPICS 2017

TOTAL: 8,135



35%	Quality, organisation, process (3,530 ideas)
18%	Customer satisfaction (1,818 ideas)
13%	Simplification (1,365 ideas)
10%	Health and safety at work (1,038 ideas)
8%	Economy (884 ideas)
6%	Environment and CSR (676 ideas)
6%	Flight Safety (641 ideas)

AF Angels

AF Angels is the internal Air France crowdfunding platform, launched at the end of 2016 on the initiative of employees. Employees can now be project sponsors and ask the company for financial support. Business Angels, who are also employees, will support and finance projects they choose thanks to a budget allocated by the company. A first campaign enabled the financing of 2 projects: the Toolbox of JC, kits for new employees, and Green HQ, to fill the workspaces with plants. This is how a collective garden was created on the Air France premises in Roissy.

Another campaign centred on internal transformation, customer satisfaction, operational performance, social and solidarity economy, circular economy and competitiveness took place in the spring of 2017. During this campaign, 2,000 employees chose among 25 projects developed among employees. 8 have been entirely financed and implemented between July and December. Among these projects, there are:

- The creation of a FabLab, "AG Makerspaces", in CDG, Montreuil and Toulouse;

- The recycling of seat covers and life jackets into objects for employees;
- The creation of a “I Love my Job” calendar for 2018 made out of photos taken by employees in their working environment, whose profits have been donated to the Foundation Air France;
- Bee whizz, an app for flight crews.

In 2018, the intrapreneurial plan will go further with the launch of the new Air France intrapreneurship program “Take Action for the Future”. This program will have the same basic principles as AF Angels (intrapreneurial projects implemented by employees, collective intelligence to select the ideas) but will focus on ideas creating new businesses for Air France and guide the project implementers in the creation of a business plan before a potential incubation. The platform has been open to all employees since February 1st and 67 projects have been suggested in February alone.

KLM Innovation Awards

For 2017, the handing out of the Innovation Awards was set up differently than in 2016. A Pioneer Fair was built up during the Employee Event, where the winners were given the opportunity to present their innovative projects. To be in line with the KLM Compass and Moving your World the layout was changed to 6 categories with 78 nominations.

Some winning examples from 2017 are:

- Baggage scanning RIFD in the “Best Operational Innovation” category
- Track & trace your Pet in the “Best Experiment” category .
- Appy 2 Help in the “Best Innovation for Employees” category.



CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

Local Development

DRIVING THE ECONOMY

The Group's direct and indirect activities contribute to economic development and growth, on a national level in France and the Netherlands, and locally around our hubs in Paris and Amsterdam.

FRENCH AND DUTCH ECONOMY

Air Transport contributes significantly to national economies:

- **contribution to the French economy: €81 billion to French GDP and around 1,140,000 jobs** (including catalytic effects).
- **contribution to the Dutch economy: €27 billion to Dutch GDP and around 300,000 jobs** (including catalytic effects).

(source: Airports Council International Europe, "Economic Impact of European Airports", January 2015)

With 90% of the Group's employees based in France and the Netherlands, we are among the largest private sector employers at a national level.

KLM Group

KLM's network is essential to the Dutch economy. The hub-network of KLM (together with partners) connects the Netherlands to almost all important economic, political and cultural regions in the world. Thanks in part to this network of 659 destinations, the Netherlands has become an important place of establishment for both Dutch and international companies. The operations of the KLM Group also create many direct and indirect jobs in and around Amsterdam Airport Schiphol and are, therefore, a driver of the local economy.

34,872 employees work for the KLM Group. KLM Group is the third largest private sector employer in the Netherlands with 26,179 FTEs.

KLM and 8 other Dutch multinationals make up the Dutch Sustainable Growth Coalition (DSGC) which has the objective to pro-actively drive sustainable growth business models along 3 lines:

- Uniting economic profitability with environmental and social progress on the basis of integrated sustainable growth business models
- Engaging in joint advocacy of sustainable growth business models both internationally and nationally
- Enabling sustainable growth by finding solutions for the environmental and social challenges.

Air France Group

The Air France Group is an asset to French economic competitiveness:

- **300,000 jobs generated by Air France's** activities in France*
- **€22 billion of economic spin-offs** in France attributable to Air France*
- **1,1% of French GDP***
- **55% of passengers flying Air France are non-French citizens**, generating business and job creation, benefiting the airline, airports, their suppliers and related businesses.

(*source : study "Air France's Economic Impact in the Metropolitan Area", EM Strasbourg; 2016)

The density and diversity of Air France's network offers multiple opportunities for connections within Europe and with the rest of the world. Air France's network, structured around its hubs, facilitates business travel for French exporters and supports export activities across all sectors of French industry through cargo handling activities.

Specialized in niche sectors, Air France Cargo, essential to trade between France and the rest of the world, offers its customers specific expertise on the transport of high value-added goods particularly benefiting the French industry: express freight, pharmaceuticals, fashion products, electronics, etc.

Our network is also essential for connecting French regions with the rest of the world, encouraging foreign investment and the setting up of foreign companies in France.

The routes operated by Air France Group contribute to French regional development, foster wealth creation and strengthen the attractiveness of the regions where they operate. The Air France Group (Air France, Hop!, Transavia France) is present on 44 French airports (mainland France and overseas). HOP! Air France participates in serving remote and peripheral areas by responding to calls for tender to operate public service obligation (PSO) air routes.

Air France and its subsidiaries demonstrate their commitment to French regions by investing, opening new sites, and creating jobs. AFI KLM E&M set up Airfoils Advanced Solutions, a joint venture with Safran dedicated to aircraft engine compressor blade repairs, scheduled to begin operations at the end of 2018. The operational base will be in North-East France, near Valenciennes. The two partners will invest over €20 million in the new company. The future site will, as a result, enrich Air France KLM's maintenance capabilities and help insource an activity that is currently subcontracted in Asia. By 2020, the company should be employing between 200 and 250 staff in this new facility. Recruitment and training of new employees started in 2017.



Air France supports French regions where Voluntary Departure Plans resulted in significant job losses, through a series of actions designed to promote the emergence of new activities, creation or maintenance of jobs. Over the period between 2011 and 2016, 2,979 jobs have been created or maintained in the regions of Roissy, Orly, Corsica, French overseas departments and territories, including jobs for people with disabilities. Further jobs are being created in the social and solidarity

economy. For example, the funds enabled the renovation and development of a plant, allowing preservation of 134 direct FTE and 150 indirect jobs, and have also helped 60 young entrepreneurs to create their own business – an action that led to the creation of 75 jobs.

AROUND OUR HUBS

Air France is a leading private sector employer in the Paris region with more than 37,100 employees in Ile-de-France.

Our activities also generate numerous indirect and induced jobs around our hubs: assistance and catering, ground-handling and cleaning subcontracting required for the operation of an aircraft. The hubs provide highly attractive business environments and the proximity to the airport generates the development of other activities.

The accessibility of airports is an important factor in the development and the attractiveness of the local area surrounding Air France's hubs. Air France supports the Grand Paris Express Metro which will connect both Paris-Orly and Paris-Charles de Gaulle's airports to Paris, and the CDG Express project, which is expected to link Paris-Charles de Gaulle airport to the center of Paris in less than 20 minutes by 2023, thus offering a more satisfactory service to tourists and business travelers.

Air France works alongside other large companies based in the local area to pool mobility solutions: at Paris-Orly, Air France signed a PDIE (intercompany travel plan) with five other businesses, while at Paris-CDG, nine leading companies came together to form the [R'PRO'Mobilité organization](#). Air France has launched 2 carpooling platforms for its employees in Ile-de-France: [Boogi](#) in partnership with R'PRO'Mobilité, and [OuiHop](#).



PROMOTING LOCAL BUSINESS THROUGH PURCHASES

We make significant contributions to regional and national economies, both through our purchases and the trickle-down impact on other sectors.

- **Air France purchases in France: €2.16 billion**, out of which 76% in the Paris region (excluding fuel)
- **KLM purchases in the Netherlands : €1.1 billion**

Air France contributes to developing local activity in the French regions with more than €528 million of contractual procurement in 2017, (excluding the purchasing of aircraft and fuel). Air France is one of the main purchasers in the French food supply chain and promotes French products through its catering. For example, we support the French wine industry: on board, around 1 million Champaign bottles are served to both business and economy class every year, as well as 800 000 large bottles of wine.

SUPPORTING SMES

For many years, the Group is supporting SMEs in order to nurture good client-supplier relations and

contribute to the development of SMEs.

Air France is a signatory of the Charter for Publicly-Owned Companies in Favor of Innovative SMEs and participates in their annual report. In 2017, thanks to the company's appointment of an SMEs mediator, Air France has once more improved on all indicators in this report, especially those concerning information sharing and dialogue. An invoice digitalization platform has been set up to simplify and speed up the payment process.

Air France belongs to the [Pacte PME](#) industry grouping, established to foster durable relations among its different members – the large corporations and their smaller suppliers. The Company ranks high in its relationship with SMEs.

SUPPORTING INNOVATION

Through its Open Innovation approach, Air France reaffirms its commitment to innovative young companies and their development, consistent with the principles of [Alliance for Open Innovation](#), to which it joined in December 2015.

Air France supports these promising startups by participating as a founding member in the business incubator [Welcome City Lab](#), dedicated to tourism, and through organizations dedicated to aeronautical maintenance. Over hundred POC (Proof of Concept) with start-ups were carried out all over the company. The company also supports these start-ups by giving them the opportunity to open up to new markets and find the necessary funds for their development.

In 2017, Air France, in association with Hokage, launched a fund-raising accelerator, the [T3 Fundraiser](#), to support start-ups in their financial and international development by offering them coaching programs. The fundraising for a first start-up, [Skylights](#), which is developing a specially designed immersive headset to watch films in aircraft, will be backed by the T3 Fundraiser.

As a founding member, Air France takes part in the think tank [FNEP \(Fondation Nationale Entreprise et Performance\)](#) dealing with economy, performance management, social and societal transformation. In 2017, it focused on innovation for sustainable development and delivered a collective book "[#Sobériser- innover pour un monde durable](#)".

KLM and its partners are constantly working to support innovative companies:

- In 2017, [KLM Pioneers](#) was launched: this innovation platform offers the possibility of further development of internal and external entrepreneurial initiatives, together with KLM.
- KLM, Schiphol Airport, NS Dutch Railways, Port of Amsterdam and Technology University of Delft work together through the "Mainport Innovation Fund II" (MIF II) which aims to accelerate innovation in the mobility industry by investing in startups that contribute to sustainable, safe and efficient transport. The MIF II fund has invested in 14 innovative startups.

TOURISM ATTRACTIVENESS

We transport 34% of non-European tourists visiting France and we contribute to promoting France and the Netherlands as a destinations:

- Through Air France advertising campaigns, its [in-flight magazine](#), as well as through innovative events organized throughout the year by Air France's and KLM's local teams in the cities we serve.
- By supporting [Atout France](#), French tourism development agency, [UniFrance](#), the national organization that promotes French cinema to the rest of the world, and by sustaining the operation

[Goût de / Good France](#), launched by the French Ministry of Foreign Affairs to celebrate French gastronomy.

- Through a partnership with the Schneider Electric Marathon de Paris, one of the biggest marathons in the world.
- Through the Escales Culture partnership signed with the French Ministry of Culture to promote some of the lesser-known French cultural heritage sites, and through a new partnership with the Château de Versailles signed in 2017.
- By supporting the Paris bid committee to host the [2024 Olympic Games](#) and Paralympic Games: as an official supplier, 10 Air France aircraft, i.e. 10,000 flights, roamed the world in the Paris 2024 colors. The historic Invalides air terminal sported the Paris 2024 colors for the whole summer. Air France invited its customers and staff to participate in sports contests in support of the city's bid. Air France is also involved alongside the CNOSF as an official partner of the French Olympic Committee for the Olympic Games from 2017 to 2020 covering the 2018 Winter Olympics and the 2020 Tokyo Summer Olympics.

In 2017, KLM and Amsterdam Marketing - the city marketing organization of the Amsterdam Metropolitan Area - continued their partnership to make Amsterdam a more competitive destination, and to attract more international visitors. KLM supported the promotion of MICE business (Meetings, Incentives, Conferencing and Exhibitions) in Amsterdam and entered into partnerships with cultural institutions (Frans Hals Museum, Van Gogh Museum, Rijksmuseum, Concertgebouw, etc.). KLM has also formed longer term "Holland Alliances" with Amsterdam Airport Schiphol and NBTC Holland, to develop and execute marketing programs in other European countries and to invest in emerging markets such as Russia, Brazil, India and China.

LONG TERM COOPERATION ON MAJOR PROJECTS

We work together with national and local stakeholders to shape sustainable areas.

Strategic plan

In 2016, The Dutch government published the 'Actieagenda Schiphol' (Schiphol Action Program) which builds upon Luchtvaartnota from 2011, reasserting the major importance of the aviation sector and Schiphol Airport for an innovative and competitive Dutch economy.

KLM is working in partnership with Schiphol Airport and the City of Amsterdam to strengthen the competitiveness and development of the region, by working on sustainability themes, including the circular economy.

The largest employers' organization in the Netherlands, the Confederation of Netherlands Industry and Employers (known as VNO-NCW) started a campaign to support investing in the transformation of the Netherlands. The campaign, called NL Next Level, preceded the Dutch general election in March 2017. It has chosen the Dutch mainports as one of its themes.

Space city planning

Air France supports projects set to shape the areas around its hubs over the coming twenty years: for example, the Paris-CDG new T4 infrastructure's project to face the growth prospects of air traffic.

There is a risk that spatial planning around Schiphol could negatively impact mainport development and limit long term capacity (ATM and ground handling) and flight safety. All developments concerning “Wonen-Vliegen” will be monitored and will be discussed with the ORS (Schiphol Airport Environment Council). The terms and conditions under which the airline operates should be closely monitored (e.g., complaints handled by the government, costs in case of expansion of airport capacity) and defined by law.

SOCIAL VALUE AROUND OUR HUBS

We are involved in various initiatives to create social value around our hubs.

LOCAL STRUCTURAL INITIATIVES

In 2017, Air France contributed to efforts to simplify and merge local structures to make regional action more transparent and effective.

KNOWLEDGE AND SKILLS FOR FUTURE GENERATIONS

Air France and KLM encourage initiatives promoting access to training leading to professions in the airline industry through a number of different associations and educational programs for young people.

As part of our commitment to equal opportunities, we have led various initiatives to bridge the gap between education and business.

Focus Air France

- More than 2,200 interns (representing around 3% of total employees) from various backgrounds have been welcomed to all Air France careers, given the support they needed to acquire new skills and guided in their professional integration.
- Each year, several hundred young students and school children complete their end-of-study training course or gain work experience within the company.
- For more than six years, Air France has welcomed school children from priority districts to learn more about the company's professions. In 2017, within the framework of the Tous En Stage association, of which Air France is a founding member, Air France welcomed some 60 school children. Tous En Stage is an innovative scheme that enables children in the airport catchment area to learn about four different companies and four professions in the space of a week.
- In 2017, Air France renewed its participation in the National Youth Day (under the auspices of the French Ministry of Education and the Economic and Social Council), by inviting school children on a behind-the-scenes visit of Paris-Charles De Gaulle airport.

- 50 sponsors and company executives, support the Nos Quartiers Ont Des Talents association that helps young qualified people from underprivileged districts to find their first jobs. This program is based on the network of 50 mentors in the [Article 1](#) (ex-Passeport Avenir) program which, since 2013, has helped young people based in the region with further education.
- 5 Air France executives have become “Engineers for Schools” and are available to the national education authorities, with the objective of bridging the gap between education and business.

Focus KLM

- The KLM Maintenance division partners 5 ROC establishments and offers internships to students training in aeronautical mechanics. In 2016, more than 100 ROC students benefited from internships at KLM.
- In 2017, KLM pursued its partnership with Schiphol Aviation College. This foundation brings together aviation businesses, vocational education institutions and regional authorities in initiatives to stimulate the Schiphol region employment market by developing and proposing innovative programs to individuals seeking work at Schiphol airport. Such programs enable participants to develop their skills and benefit from an initial internship at the airport.

COMMITTED TO THE EMPLOYMENT OF VULNERABLE PEOPLE

Committed to priority neighborhoods, Air France is a signatory of the Corporate and Neighborhood Charter. Trainees from Second Chance Schools gained experience in the workplace by participating in maintenance activities, and, thanks to the association Papa Charlie, access to mobility and affordable car rentals were provided for vulnerable people who travel to Paris CDG for work. Air France encourages business creations, by supporting local and regional competitions that target the inclusion of priority neighborhoods (CitésLab), women ([Créatrices d’Avenir](#)), or students and start-ups ([Challenges du Numérique](#)).

Air France and KLM also support workers with disabilities by working with sheltered sector companies. In 2017:

- **Air France made a spending of €19 million in the sheltered sector.** Air France is the French leader in terms of share of turnover dedicated to the sheltered sector companies. The airline is expanding its partnership with the sheltered sector year on year, it entrusts the sheltered sector with highly critical services and supports it in adapting its offer. For example, IT Department works with 4 sheltered sector suppliers.
- **€ 5.5 million was spent on employment in the sheltered sector by KLM.**

LOCAL DEVELOPMENT AT DESTINATION

With 314 destinations in 116 countries, we are a driver of economic and social

development and we support initiatives for sustainable tourism.

STIMULATING ECONOMIC DEVELOPMENT

Thanks to the structure and density of its network, Air France-KLM is the largest intercontinental carrier between Europe and the rest of the world. The Air France-KLM Group currently operates the largest network between Europe and the rest of the world. Together with the flights operated by Delta within the framework of the transatlantic joint-venture, in 2017 Air France and KLM served 134 long-haul destinations world-wide, of which 41 in Africa, 26 in North America, 22 in the Asia-Pacific region, 12 in the Caribbean, 3 in the Indian Ocean, 14 in Latin America and 16 in the Middle East.

As one of the first international groups to open flights to countries affected by geopolitical crisis and one of the last to suspend them, the Group fully supports their economic development. For example, in 2016, Air France reopened its routes to Tehran (Iran).

With a strong presence in Africa (55 destinations), we promote regional economic and social development. Since 2012, Air France has been the strategic partner of Air Côte d'Ivoire. Air France supported the creation of this company, alongside the State of Côte d'Ivoire, by investing in its initial capital. Today, Air Côte d'Ivoire's fleet allows the airline to serve 27 destinations in West Africa and Central Africa from Abidjan. Air France-KLM is also the strategic partner of Kenya Airways and has developed a commercial cooperation with Kukula in South Africa and a technical cooperation with Congo Airways in the Democratic Republic of Congo. In 2017, Air France-KLM enriched its network with new destinations such as Marrakesh, Dakhla (Morocco) and Accra (Ghana).

We also contribute to Latin American and Caribbean growth through our large long-haul network from Europe to these destinations. We serve 27 destinations in the region, offer over 240 weekly flights from Paris-CDG and Amsterdam Schiphol and we are improving our connectivity in South America thanks to our long term strategic partnership with Brazilian carrier GOL, which began in 2014, enabling Air France, KLM and GOL customers to benefit from a network that now links more than 30 European with over 50 Brazilian cities. This network positions the Group as the main European airlines serving Brazil.

RESPONSIBLE AND SUSTAINABLE TOURISM

If tourism is well managed, it contributes to economic activity, development and job creation, helping to lift millions of people out of poverty. As the concerns of tourism and air transport overlap, Air France and KLM committed to mobilize partners and clients to make tourism a positive catalyst for change.

Through our longstanding partnerships with a number of NGOs, social enterprises and universities, we support initiatives for sustainable tourism:

- [MAD \(Make a Difference\) Travel](#), a Filipino social enterprise linked to Gawad Kalinga, creates alternative travel experiences, immerses travelers in local culture, and welcomes them in eco-B&Bs, one of them financed by the Air France-KLM Group.
- NHTV and Wageningen University: KLM takes part in the leisure, tourism and environment committee.
- Air France is a partner of [ATR \(Agir pour un](#) Tourisme Responsable), an association of tour

operators, which aims to develop and promote sustainable tourism.

- [Acting for Life](#), an Air France NGO partner, promotes responsible tourism as a virtuous circle that minimizes negative social, economic and environmental impacts and generates greater economic benefits for local people.

With the framework of the [International Year of Sustainable Tourism for Development](#), declared by the United Nations in 2017, Air France committed to raise awareness among its passengers. Promotional films on responsible tourism are available aboard Air France's planes, in partnership with a responsible tour operator, Double Sens.

Throughout the year, Air France participated in events like the NoMad Responsible Tourism Festival,



and the [Sustainable Tourism Awards](#), recognizing the most responsible and sustainable tourism-related initiatives.



LOCAL ENTREPRENEURSHIP AND SKILLS DEVELOPMENT

By identifying the key innovation players in Africa, Air France pursues its Open Innovation approach. In partnership with [Myafricanstartup](#), Air France encourages the establishment of a genuine hub of incubators in Abidjan, in cooperation with the African Development Bank. Air France took part in the first edition of the “100 African Startups to Invest in 2017” published by MyAfricanStartUp. This initiative aimed to increase the visibility of start-ups with strong potential in Africa. In total, 22 African countries were represented in the 100 startups selection.

In 2017, Air France-KLM was a partner of [Africarena 2017](#), Africa's largest technological innovation

event. The event was an opportunity for international companies and investors to discover a selection of startups. Air France-KLM chose 6 startups to compete in a hackathon and present their innovative solutions about “Smart Commerce” and “Smart Travel”.

Based in Bamako (Mali) and founded in 2005 with the help of Air France, [IAMA](#) (Institut Africain des Métiers de l'Aérien) provides the necessary teaching at an international level to air transport operators, throughout the African continent. Through [MATEA](#) (Maintenance et Assistance Technique des Engins Aéroportuaires), Air France has developed a second-hand equipment sales service that has been entirely reassessed. The aim is to guarantee the reliability and performance of track equipment in African locations, by offering equipment at the best cost to local handling companies. Also, through audit and repairing missions, African providers benefit from Air France's experience in maintenance of airport equipment.



SOCIAL PARTNERSHIPS

We have always played an active role in international development through social, humanitarian and nature conservation projects, with many projects focusing in particular on future generations.

Some examples of projects and geographical distribution

CONTRIBUTION OF AIR FRANCE-KLM



€ 13 MILLION

financial support/donations



4,103

tickets donated by Flying Blue members to NGOs

LONGSTANDING PARTNERSHIPS

Air France Corporate Foundation and Air France Humanitarian Aid Department



Air France works to help disadvantaged children through its [Corporate Foundation](#) which celebrated its twenty-fifth anniversary in 2017. Since its inception, the Foundation has facilitated the realization of 1,340 projects, mostly sponsored by Air France employees: 379 in Africa, 161 in Latin America, 209 in Asia, 420 in France, 57 in Europe, and 114 in the Caribbean and Indian Ocean regions. In 2017, the Foundation supported 94 projects across 39 countries.

Air France Humanitarian Aid Department: 405 tickets donated to more than 33 NGOs helping children in need of medical care; 60 NGOs received assistance for medical equipment transport.



Acting for Life

**ACTING
FOR LIFE**

"La vie, pas la survie" —

For more than 40 years, the airline has partnered with the [Acting for Life](#) NGO which operates in Africa, Latin America and Asia through economic and regional development programs, support for small livestock and arable farmers, and the vocational training and integration to the benefit of the most disadvantaged populations. In France, Acting for Life is recognized as public utility, and in 2017, Acting for Life has sustained 64 projects worldwide.

Aviation Without Borders



Air France and KLM support the French [Aviation Sans Frontières](#) and the Dutch Aviation Without Borders.

This emergency aid organization carries out air transport missions, transports cargo shipments with medical supplies to remote areas and arranges transport for sick children who are accompanied by Air France and KLM volunteers. In 2017, 1,092 sick and recovered children were carried on Air France flights and 8,241 packages of medicines and minor medical supplies were shipped to 25 destinations by Air France.



Gawad Kalinga



Since 2015, Air France-KLM has expanded its locally born and longstanding partnership with [Gawad Kalinga](#) by signing the first Air France-KLM corporate partnership with this NGO and offering Flying Blue members to give miles to GK. Air France-KLM shares GK's innovative vision in the fight to eradicate poverty.

Wings of Support



In 2017, [Wings of Support](#) and KLM signed an official cooperative agreement. Wings of Support works to provide education, child care, and medical aid for children at KLM destinations to improve the quality of their lives sustainably and within their own environment. It is an independent foundation and initiative of a former KLM pilot. At this point, 95 KLM staff members work for Wings of Support in their free time.



OTHER INITIATIVES

Members of the Group's loyalty programme Flying Blue could donate their earned Miles to dedicated charities. KLM works with seven partners, including its strategic partner Wings of Support, as well as the Red Cross, the Ocean Cleanup, Giro555, Close the Gap, WWF-NL and Unicef.

In September 2017, Hurricane Irma caused considerable damage in the Caribbean, mainly on St. Martin. In addition to commercial measures and mobilization of company staff, Air France Cargo worked together with the Ministry of the Interior to help send equipment to the region and the Air France Foundation launched a major fundraising campaign for Air France-KLM staff. The funds are used to finance rehabilitation projects for children in Saint Martin.

In case of (environmental) disasters, KLM Cargo contributes where possible to deliver emergency items.

ENVIRONMENTAL PARTNERS

Reforestation Programs

The Holistic Forestry Conservation Program in Madagascar, supported by Air France since 2008 and co-financed by the French Development Agency (AFD) and the French Global Environment Facility (FFEM), is contributing to developing the living standards of local communities while protecting the biodiversity of the island. The second phase of the project (2014-17) aims to strengthen the conservation activities, expand and improve the propagation of sustainable alternatives to deforestation, and to validate the project under one of the existing REDD+ international labels.

The aim is also achieve carbon certification of the project, whose associated sale of carbon credits will complete the financing for a phase III that would enable an even longer-term commitment to supporting the local communities committed to preserving their environment.

In 2017, KLM introduced a reforestation project in Panama to the CO2ZERO compensation service.

Besides the numerous environmental benefits the project has, the project's activities integrate capacity building and create long-term employment with a sustainable source of income for the local population. This helps them to improve their living conditions and develop knowledge and skills.

Biodiversity program

Air transport commits with [HOP! Biodiversity](#) in a very concrete environmental approach. With vegetation covering about 70% of their surface area, airports can play a role in the preservation of the most threatened natural habitat of Eastern Europe: grasslands.

For HOP! Air France, at the initiative of the project, finding out what lives (i.e. the biodiversity) in these grounds is a responsible way of building awareness within the company and among its partners, of respecting the environment, identifying best practices and promoting conservation measures, while respecting the safety procedures of the industry.

The project HOP! Biodiversity was launched under the guidance of an independent scientific committee (National Museum of Natural History, CNRS, Conservatoires) with habitat and species evaluation carried out by scientists together with airport staff and citizen volunteers under the guidance of science protocols (primarily the Vigie Nature Program).

Four years after the launch of the program, HOP! Biodiversity - which became an association in June 2015 - has undergone a fast exponential growth:

- HOP! Biodiversity gathers 4 airlines, 14 airports, the National Museum of Natural History and the French civil aviation authority (DGAC),
- The project is recognized by the French Ministry of Environment, as a part of the National Strategy for Biodiversity (SNB).

This is a project of both industrial and environmental importance, unique in France and in the world in the field of aeronautics



EMPLOYEE INITIATIVES

The [Wings of Support](#) foundation, founded in 1998, supports local projects at destinations. Both KLM flight crew and ground staff are actively involved in the work of the foundation. Wings of Support also organizes an annual 'BushCamp' for orphaned children from all over Kenya. In 2016, €593,000 was invested in 63 projects, helping 16,000 children.

In 2016, 1,170 KLM colleagues participated in a running contest "Dam tot Damloop" to raise funds for a UNICEF project that is committed to helping refugee children.

Strong support was shown for the Air France Employee Experience initiative and its #SocialResponsibility commitment in January 2018, when Air France organised its first citizen solidarity day called BetterTogether, during which 1,000 employees volunteered to assist different aid associations in 10 regions. They could choose to take part in one of 60 assignments set up jointly with 43 partner associations in areas as varied as children's care, the environment, disability, intergenerational sharing, education, and fighting insecurity.



Within the "Friends of Air France Foundation", more than 2,500 employees are involved in various voluntary, childhood-focused projects. Their involvement can take different forms, from volunteer

work to skillsharing or donations.

Transavia has implemented the Support'air platform that supports solidarity projects led by employees.

ENGAGING OUR CUSTOMERS

We are committed to engaging our customers in social and humanitarian programs:

- The [Air France inflight magazine](#) devotes a monthly article to a project supported by the Air France Foundation and Acting for Life.
- Air France informs passengers about the damage caused by child sex tourism by financing and broadcasting [ECPAT France](#)'s prevention campaign, and by providing support to 18 other [ECPAT](#) projects for child protection around the world.
- Air France-KLM Flying Blue passengers can support NGO projects by [donating Flying Blue miles](#). 4,103 tickets were donated by Flying Blue members to NGO partners in 2017.
- In the "KLM Takes Care" pages of its monthly magazine, the [Holland Herald](#), KLM focuses on various CSR initiatives and highlights the work of its partners.
- KLM's CO2ZERO program enables passengers to compensate the emissions of their flight by investing in Gold Standard projects such as improved cooking stoves programs in Kenya and Ghana.