

Air France-KLM takes care

Sustainability Report

2018



AIRFRANCEKLM
GROUP

“THE AIR TRANSPORT SECTOR IS AN INCREDIBLE WAY OF BRINGING PEOPLE TOGETHER, PROMOTING OPEN-MINDEDNESS AND EXCHANGE FOR ALL CITIZENS OF THE WORLD. BY ACTING RESPONSIBLY, WE ARE MEETING THE EXPECTATIONS OF OUR CUSTOMERS, OUR STAFF AND ALL OUR STAKEHOLDERS.”

Benjamin Smith,

Chief Executive Officer, Air France-KLM.



The air transport sector is an incredible way of bringing people together, promoting open-mindedness and exchange for all citizens of the world. By acting responsibly, we are meeting the expectations of our customers, our staff and all our stakeholders.

At Air France-KLM, we are clearly aware of this. As proof, we have made a series of commitments and taken concrete action, with significant results that we can be proud of.

The Group thus reduced its noise footprint by 35% between 2000 and 2018 and improved its energy efficiency per passenger/km by 21.6% between 2011 and 2018. We have been included in the DJSI Europe and World ranking for the 14th year running. Air France-KLM is also the only airline to be included in the DJSI European ranking.

Our ambition is to make each trip a responsible trip, by constantly reducing our environmental footprint by improving our operations, by encouraging innovation and partnerships, with the commitment of all our staff.

The energy transition of the aviation sector is a long-term commitment. We are working with our ecosystem to implement innovative solutions, as illustrated by our contribution to research into designing the aircraft of the future. An aircraft designed to be more environmentally friendly, and offering an increasingly innovative in-flight service. We contribute to promoting a viable alternative sustainable fuel market. We support research to encourage the rapid emergence of breakthrough technologies aimed at drastically reducing the environmental impact of air transport.

It is because I care very passionately about preserving this culture that we have decided to more closely integrate sustainability into our vision, by making our commitment fully part of the Group's ambition. In 2018, we created a committee dedicated to sustainable development within the Group's governing board, making our responsible action the focus of all our decisions.

The Group has been a member of the Global Compact since 2003, of which it supports its commitments and principles. By integrating sustainable development into its activities and operations, Air France-KLM aims to make a significant contribution to the UN's sustainable development goals in connection with its activities.

By creating jobs and activities and fostering exchange, through its supply chain and its 12 billion euro annual procurement business, the Group contributes to sustainable economic growth in France, the Netherlands and in the regions where it operates. Air France-KLM also has a role to play in developing indirect employment and economic activity by working with local partners and supporting projects with high social and economic added value for the benefit of future generations and local communities.

Since my arrival at Air France-KLM, I have witnessed the extent of the Group's commitment to sustainability. Numerous environmental and societal actions have been implemented on a proactive and voluntary basis. These actions fully contribute to our long-term profitability and sustainability. This commitment is widely shared by all our staff, around the world.

It is a formidable force, as for all of us, Air France-KLM must be a reference in our industry.

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CONTACTS **148**



318 destinations in
118 countries

OUR OPERATIONS

101.4
MILLION CUSTOMERS

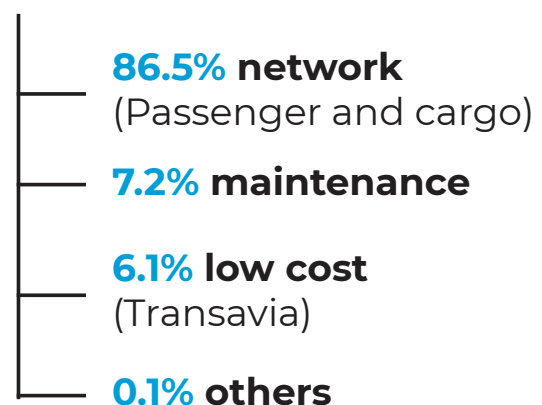
1.14
MILLION TONS OF
CARGO CARRIED

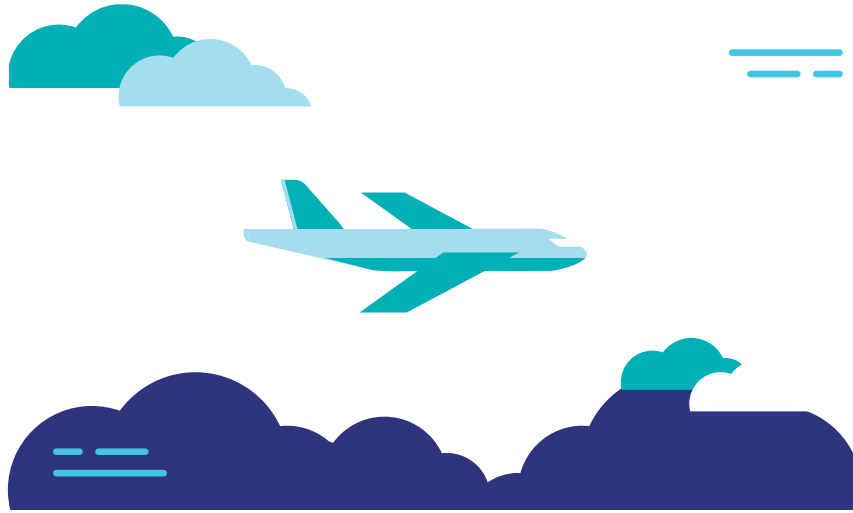
81,527
EMPLOYEES (FTE)

**TRANS-ATLANTIC
& ASIAN**
JOINT-VENTURES

SKYTEAM
FOUNDING MEMBER

€ 26,512 MILLION
REVENUES





3.21 LITERS

fuel per passenger / 100 km

21.6%

CO₂ emissions reduction since 2011

incl. economic measures
(g CO₂ / passenger / km)

IN THE AIR

548

AIRCRAFT

11.3 YEARS

fleet average age

35%

NOISE REDUCTION

since 2000

4.3 MILLION

tons of CO₂ avoided

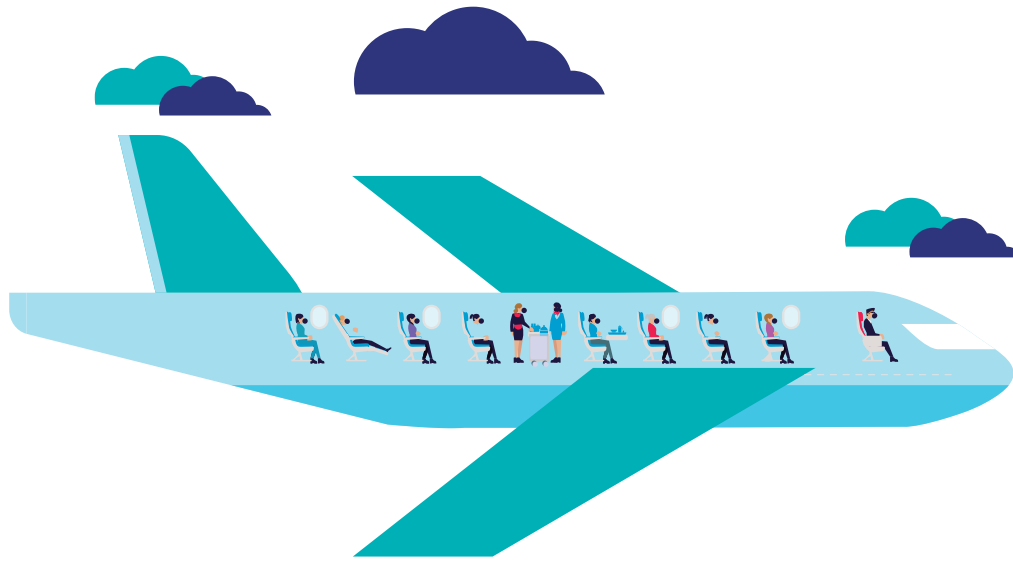
(energy efficiency conditions of 2011)

BIOFUEL

Strong involvement in the development of a sustainable market

MORE THAN 1,300 tons of sustainable aviation fuel used by KLM

Air France partner of the French biojet **Green Deal**



Caring for
all passengers

EVERY **20** SECONDS
A new Flying Blue member

ON BOARD

PERSONALIZED SERVICES

RESPONSIBLE CATERING

Organic products in children offers on Air France flights
9.4 million sustainably produced sandwiches served on board KLM flights

CIRCULAR ECONOMY

13 million headphones reconditioned, reused & recycled at Air France

LIGHTER AIRCRAFT

Digital press, 4,600 tons of CO₂ saved

DIGITAL

More than 9 million Air France, KLM and Transavia app downloaded



23%

energy reduction
since 2011

50%

electric ground
support equipment

ON THE GROUND

WASTE

4%

REDUCTION
since 2011

WATER

6%

REDUCTION
since 2011

SUPPLY CHAIN

3,900

SUPPLIERS

67%

SIGNED THE CSR CHARTER

€ 19 MILLION

SPENDING IN
SHELTERED SECTOR



312

hectares of tropical forest

planted in Panama by KLM CO2ZERO service

85,500 trees

planted thanks to Trip and Tree
Air France program

IN THE WORLD

AIR FRANCE FOUNDATION

76 PROJECTS IN 57 COUNTRIES

in favor of disadvantaged children

WINGS OF SUPPORT

85 PROJECTS SUPPORTED

IN 16 COUNTRIES

GROUP CONTRIBUTIONS

€ 15 MILLION FINANCIAL SUPPORT

to community projects

3,552 FLIGHT TICKETS

donated by Flying Blue members to NGOs

SUSTAINABILITY 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. Through our operational activities, we aim to create sustainable long-term value for all our stakeholders.

OUR BUSINESS MODEL

Our goal is to become the leading airline group in Europe and one of the most powerful in the world, assuming our corporate and social responsibility as a global aviation player. To achieve this goal, we are focused on becoming our customers' airline of choice between Europe and intercontinental destinations and between our domestic markets – France and the Netherlands – and the rest of Europe.

Thanks to the professionalism of our employees, the quality of our products and services and our operational efficiency, we are on track to realize this ambition. The business model sets out our human and intangible assets, as well as the positive outcomes created in terms of customer experience, employee experience, operational excellence and financial performance, and the impacts on environment and on wider society.

Find more information about our business model and our strategy: Registration document, section 1.2 “Strategic outlook”.

BUSINESS RESPONSIBILITY AT THE HEART OF THE STRATEGY

Commitments

We have long assumed our responsibilities as both an employer and an airline group.

Our commitments are set forth in our Corporate Social Responsibility Statement, our Social Rights and Ethics Charter and our Climate Plan.

We have been a signatory of the United Nations Global Compact since 2003, and are committed to respecting its ten principles in the areas of human rights, labor, the environment and anti-corruption, and to promoting this commitment to our partners. By integrating sustainability into our business and operations, we strive to patently contribute to the UN Sustainable Development Goals within its scope of influence.



Sustainability strategy

Our ambition is to achieve high standards of performance and to create value over the long term by reconciling profitable growth and prevention and mitigation of the extra-financial risks resulting from our business and impacting our stakeholders.

In 2018, we completed our materiality matrix by evaluating our main extra-financial risks and opportunities.

Our strategy is built on 4 pillars that are part of our value creation model and integrate our main extra-financial issues.

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.

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.

Customer trust: To secure the trust of our customers, our employees and partners, we must ensure their safety and health in all our operations. Together with our suppliers and partners, we aim to take sustainability into account to offer high quality products and service to our customers and create memorable experiences.

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



All airlines of the Air France-KLM Group adopted the same “Takes Care” motto for their CSR actions.



Governance

Sustainable Development governance is ensured by the management bodies at the highest level of the Group.

At the end of 2018, the Board of Directors decided to create a Sustainable Development and Compliance Committee. This committee assists the Board in reviewing the Group's policies, upon which it submits its recommendations. It ensures that the Group promotes long-term value creation and takes the social and environmental issues that their activities have an effect on into account in the establishment of the Group's strategy.

SUSTAINABILITY GOVERNANCE

AT GROUP LEVEL

BOARD OF DIRECTORS AIR FRANCE-KLM

- Approves the strategic orientation of the Group's activities and ensures implementation
- Reviews the management report, which provides, among other, the extra-financial performance statement
- The sustainable development and compliance committee assists the Board in the review of the Group's policies, and ensures that non-financial issues are taken into account in the definition of the strategy
- 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 annually. The Corporate Secretary is in charge of the CSR and compliance.
- 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







MAIN EXTRA-FINANCIAL RISKS AND PERFORMANCE INDICATORS





For each pillar of our sustainability strategy, we identify the risks, our policy to mitigate these risks, our KPIs, and our contribution to SDGs.

| ENVIRONMENT | | | |
|--|---|--|---|
| ISSUE | DESCRIPTION OF THE RISK | POLICY | KPIs |
| CARBON FOOTPRINT  | Acceptability of air transport growth (CO ₂ emissions) | Minimize our impact on the environment and target to further reduce CO ₂ emissions | Emission efficiency (g. CO ₂ per passenger/km) Average age of the fleet |
| ADAPTATION TO CLIMATE CHANGE  | Operational and financial impacts of climate change on air operations (more frequent extreme weather events) | Policy in place to ensure safe operational and passenger handling conditions | Number of commercial instructions due to extreme weather conditions (work in progress) |
| NOISE  | Acceptability of air transport growth (noise hindrance impacting those living near airports) | Noise abatement strategy through fleet modernization and flight operation improvements, in dialogue with local communities | Global noise energy per movement |
| AIR QUALITY  | Acceptability of air transport growth (air quality impacting employees and those living near airports) | Reduction of local emissions by operating a modern aircraft fleet, by using electric ground equipment, and by an optimization of ground operational procedures | NOx emissions (flight and ground operations) |
| WASTE  | Acceptability of air transport growth (environmental impact, Group responsible image) | Waste management programs aimed at waste prevention, increasing the recycled portion, and eco-designing items | % of hazardous waste recycled |
| BIODIVERSITY  | Acceptability of air transport growth (CO ₂ emissions impacting biodiversity, Group responsible image) | Support to a number of projects and initiatives aimed at protecting biodiversity around our hubs and outstations | Offsetting programs: Trip and Tree, KLMCO2ZERO Madagascar program Hop! Biodiversity association |



EMPLOYEE JOURNEY

| ISSUE | DESCRIPTION OF THE RISK | POLICY | KPIs |
|--|---|---|---|
| <p>WORKING CONDITIONS AND SOCIAL DIALOGUE</p>  | <p>Employee motivation and engagement</p> | <p>Fostering a constructive and transparent social dialogue and pursuing a policy based on treating individuals with respect and responsibility towards customers</p> | <p>Employee Promoter Score (EPS) monitored continuously throughout the different entities</p> |
| <p>HUMAN CAPITAL DEVELOPMENT</p>  | <p>Skills management in line with the Group's long term strategy</p> | <p>Offering training programs to each employee, giving them the opportunity to learn and develop skills</p> | <p>Training hours per employee</p> |
| <p>HEALTH AND SAFETY IN THE WORKPLACE</p>  | <p>Social and financial aspects having a direct impact on our business and strategic plan</p> | <p>Strong-willed and proactive approach to prevent risks and protect the health and safety of our employees</p> | <p>Frequency and gravity rates</p> |
| <p>FOSTERING DIVERSITY AND COMBATING DISCRIMINATION</p>  | <p>Social and financial aspects having a direct impact on our business and brand reputation</p> | <p>Promoting diversity and fight against discrimination by supporting equal opportunities and gender equality</p> | <p>% of women in managerial position</p> |

CUSTOMER TRUST

| ISSUE | DESCRIPTION OF THE RISK | POLICY | KPIs |
|---|--|--|---|
| <p>CUSTOMER SATISFACTION</p>  | <p>Air transport industry competition (Group reputation)</p> | <p>Customer-centric strategy</p> | <p>Net Promoter Score (NPS)</p> |
| <p>OPERATIONAL SAFETY</p>  | <p>Accident risk inherent to air transportation (customer and employee safety, Group reputation)</p> | <p>Flight safety management process</p> <p>Food safety management</p> | <p>IOSA certification</p> <p>ISO 22000 certification</p> |
| <p>DATA PROTECTION AND DATA PRIVACY</p>  | <p>Failure of a critical IT system, IT risks and cyber criminality</p> | <p>Manage the cybersecurity risks and protect business and personal data</p> <p>Ensure personal data privacy</p> | <p>Ranked among the top 5 Airlines with cybersecurity performance by an independent cyber rating agency</p> |
| <p>PRODUCTS AND SERVICES ACCESSIBILITY</p>  | <p>Group responsible image</p> | <p>Facilitating access to our products and services for all our customers</p> | <p>Number of passengers with disabilities or reduced mobility welcomed</p> |

SOCIETAL VALUE

| ISSUE | DESCRIPTION OF THE RISK | POLICY | KPIs |
|---|--|--|---|
| <p>LOCAL DEVELOPMENT</p>  | <p>Economic and social value in the areas where we operate, around our hubs and destinations</p> | <p>Creation of direct and indirect jobs and activities through our own operations and our procurement</p> | <p>Total budget allocated to community projects</p> <hr/> <p>Sheltered sector: procurement spending</p> |
| <p>SUB-CONTRACTING AND SUPPLIERS</p>  | <p>Supply chain risks management (human rights, social, environment, ethics)</p> | <p>Responsible procurement policy throughout the whole process: risk mapping, questionnaire, charter, CSR assessment</p> | <p>% of suppliers having signed the Sustainable Development Charter</p> <hr/> <p>Number of suppliers assessed on EcoVadis</p> |

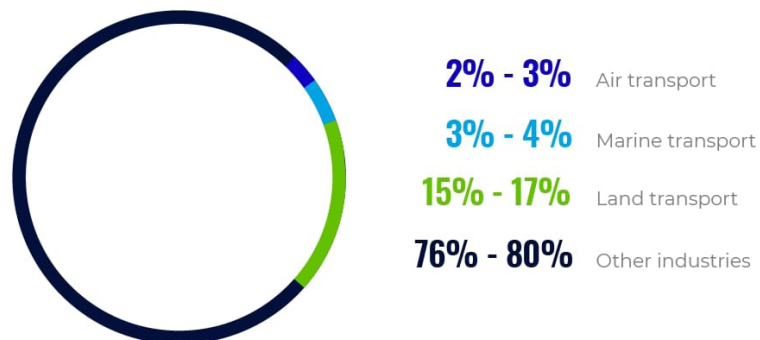
IN DETAIL

ENVIRONMENT

CLIMATE CHANGE POLICY

Aviation's contribution to man-made greenhouse gas emissions is between 2 and 3%. However, if no action is taken, with the expected growth in global air traffic, aviation's contribution will increase over the coming decades. Air France-KLM is aware that aviation has an impact on climate change and therefore has developed an environmental policy and a Climate Action Plan.

SHARE OF TRANSPORT IN GLOBAL MAN-MADE CO₂ EMISSIONS



SOURCE: GIEC, STERN REVIEW

The Air France-KLM environmental policy is outlined in its Corporate Social Responsibility Statement. The Climate Action Plan embodies its strategy to further reduce CO₂ emissions. 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. In 2018, we exceeded our target.

Air France-KLM is looking beyond 2020 towards absolute CO₂ reduction targets, in addition to optimizing efficiency.

OUR CLIMATE ACTION PLAN

- Pursuing fleet modernization and contributing to aeronautical research.
- Implementing operational measures, such as applying eco-design principles, weight reduction projects, and route optimization.
- Using and developing sustainable aviation fuels (SAF).
- Providing information for customers on their travel-related CO₂ emissions and the opportunity to offset these.
- Supporting implementation of the global sector-wide climate agreement (CORSIA).
- Supporting NGO-led environmental programs.

In 2018, by implementing the measures of our Climate Action Plan, we achieved:

- An average fuel consumption of 3.21 liters per passenger per 100 km
 - An average carbon emission of 80 grams of CO₂ per passenger per km
-

INDUSTRY COMMITMENT

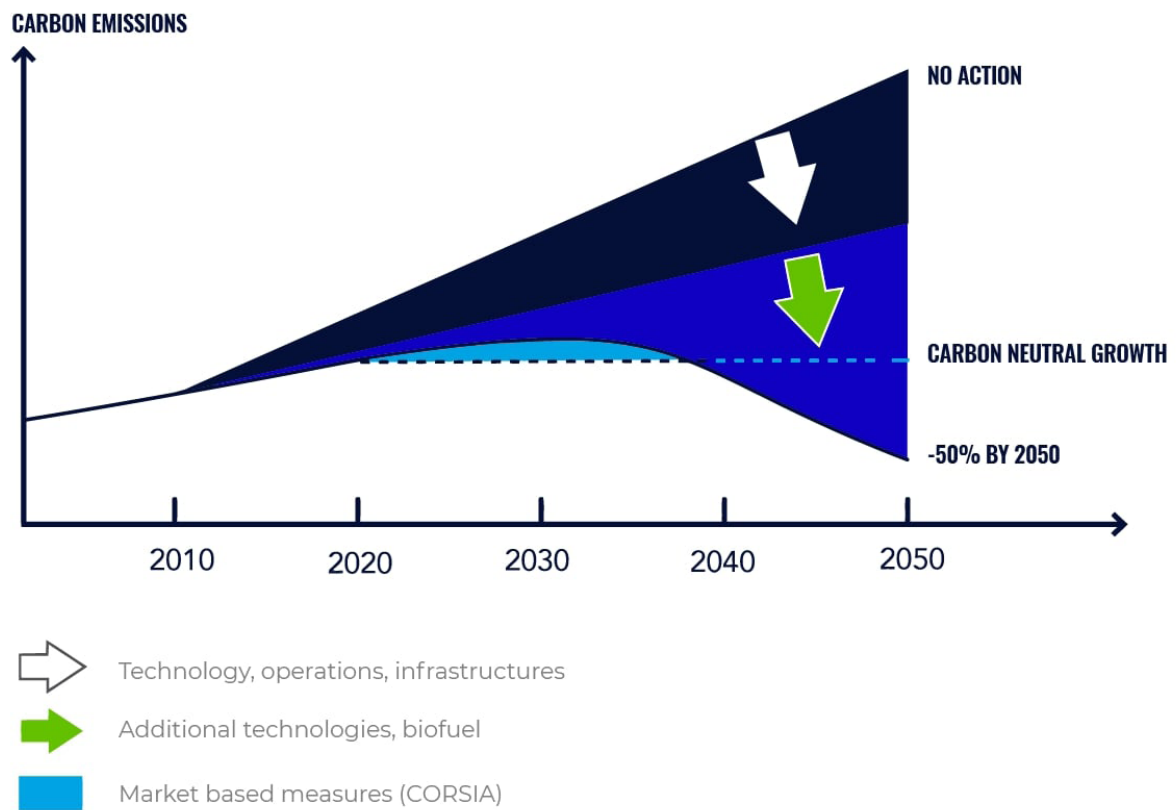
In 2009, the International Air Transport Association (IATA) set an ambitious worldwide commitment to reduce air transport CO₂ emissions:

- an average of 1.5% annual fuel efficiency improvement by 2020
- carbon-neutral growth from 2020 onward
- 50% reduction in net aviation CO₂ 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 which rely on technical and operational improvements already deployed by the international aviation industry, with advancements in the production and use of sustainable aviation fuels.

In 2018, the Dutch airline industry presented the “Smart and Sustainable” plan of action to make aviation more sustainable. Twenty transport organizations and knowledge institutions joined forces to accelerate existing developments that will make aviation more sustainable. The ambition is to reduce total CO₂ emissions from the Dutch airline industry to the level of 2005. This is in addition to the substantial carbon reductions that civil aviation realizes through the EU Emissions Trading System and the global UN Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) that give substance to the Paris Agreement objectives.

MAPPING OUT THE INDUSTRY COMMITMENTS



CLIMATE CHANGE ADAPTATION MEASURES

In its 2018 report, the Intergovernmental Panel on Climate Change (IPCC) assessed the latest level of knowledge on climate change and its consequences, together with the potential for adaptation to limit the vulnerability of human societies. In November 2018, the United Nations COP24 climate change conference in Katowice decided on the rulebook that would enable a two-year monitoring process for state-related emissions from 2024.

For air transportation, the impacts of climate change could have consequences for the routes and destinations served, and affect flight operations (re-routing, flight cancellations and delays, etc).

To adapt to already occurring impacts of climate change such as more frequent extreme weather events, we have policies which ensure safe operational and passenger handling conditions and we regularly conduct comprehensive risk analyses to optimize those.

The size of our network, with services present on different continents, and the flexibility obtained through our fleet composition, are all valuable assets when it comes to minimizing the economic consequences of these impacts and adapting schedules to market requirements.

We have developed special training programs for our employees on the management of emergency situations. 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 or change their destination, if they so wish.

CLIMATE RESEARCH

Since 2013, Air France has been participating 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 CO₂ 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 2018



3.21 LITERS / PASSENGER / 100 KM



80 G. CO₂ / PASSENGER / KM

COMPARED TO 2011

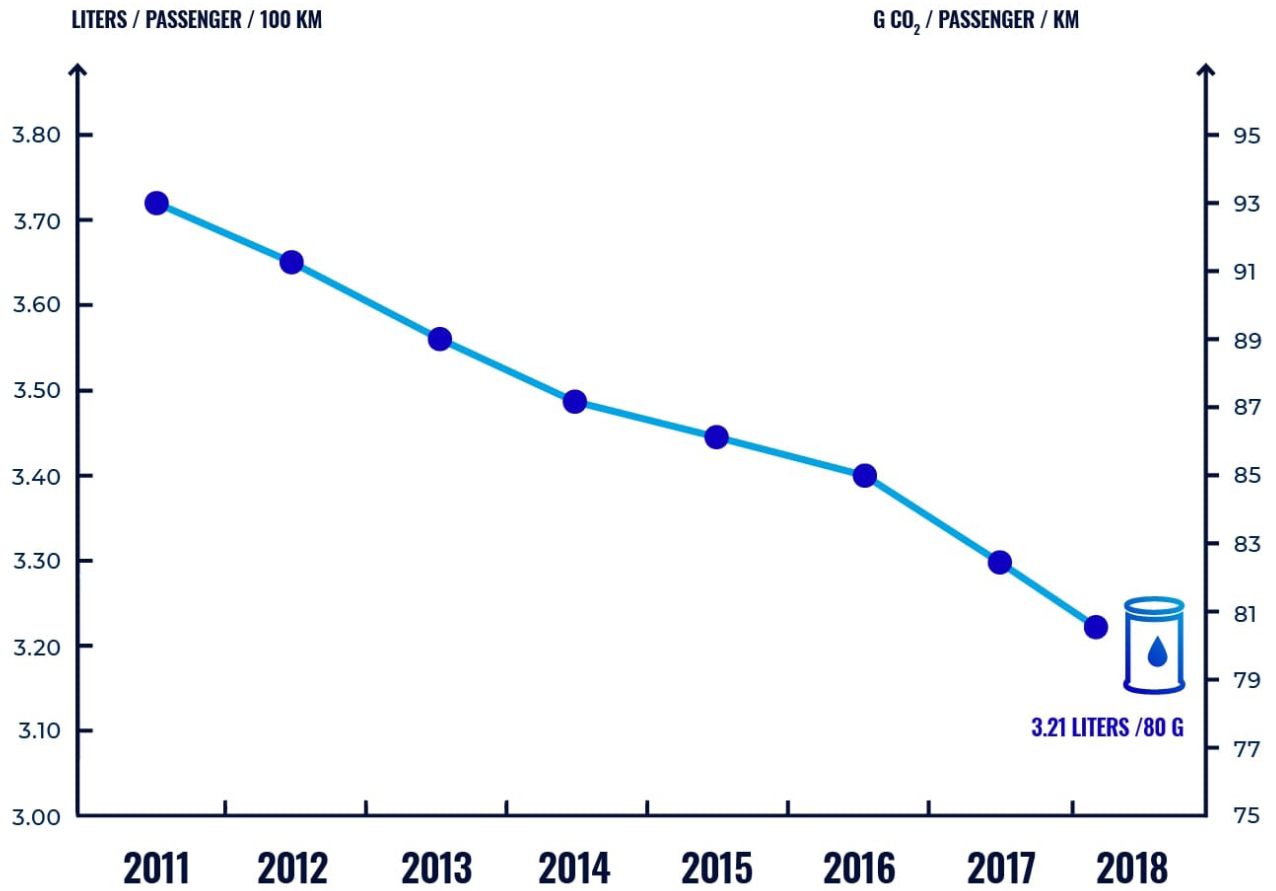


**13.5% REDUCTION
(OPERATIONAL
IMPROVEMENT)**

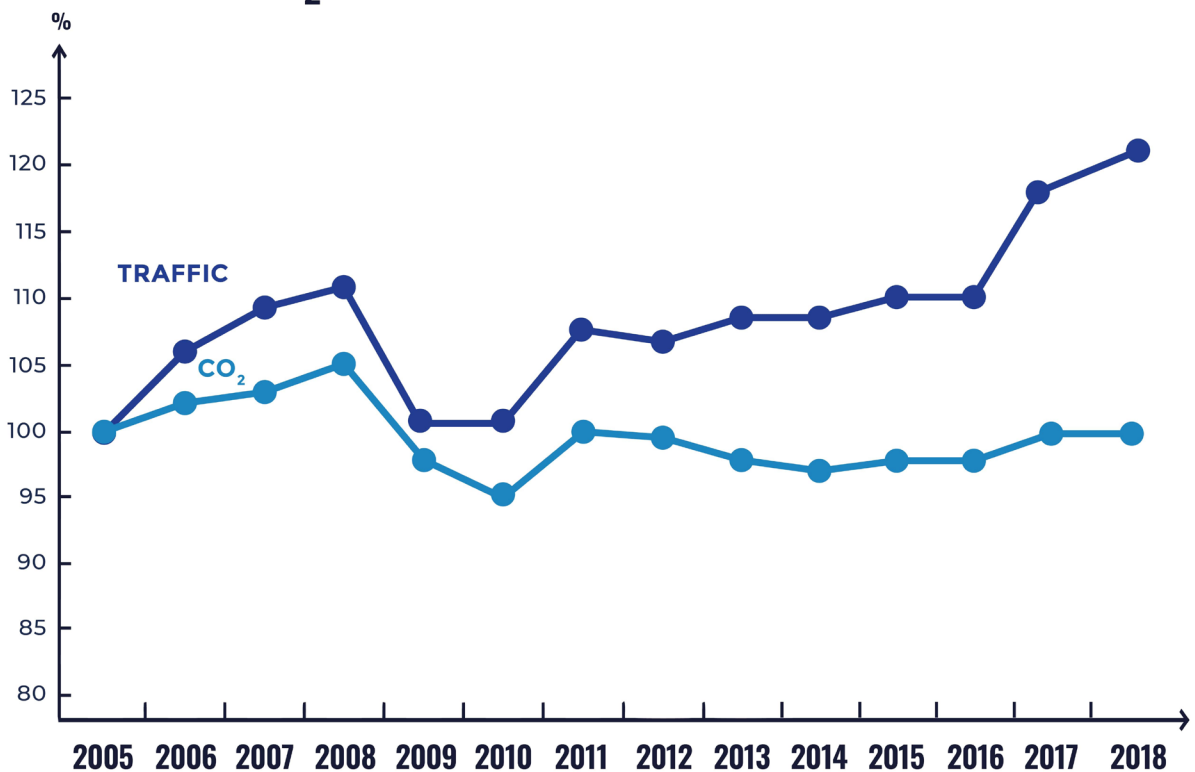


**21.6% REDUCTION
(INCLUDING MARKET
BASED MEASURES)**

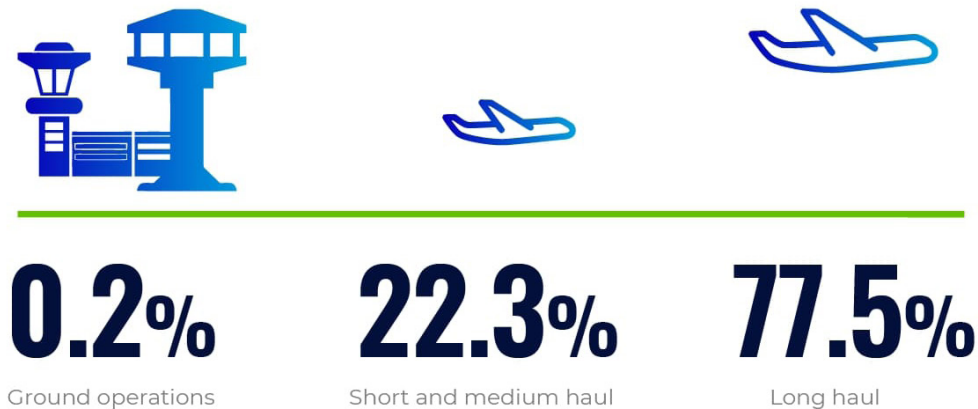
GROUP FUEL CONSUMPTION



CO₂ EMISSIONS AND TRAFFIC



BREAKDOWN OF CO₂ EMISSIONS FOR FLIGHT AND GROUND OPERATIONS



GREENHOUSE GAS EMISSIONS: SCOPES 1, 2 AND 3

Scope 1

The most significant portion of greenhouse gas emissions (GHG) comes from our direct activities (scope 1), mainly from flight operations which account for 99.7% of the Group's total direct emissions. To minimize our environmental footprint, we have focused our actions on flight operations.

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.

Scope 2

Ground operations, like the aircraft maintenance and tertiary activities, also generate indirect greenhouse gas emissions (scope 2) through electricity consumption in buildings (electricity, heating and air conditioning).

We implement actions to reduce ground energy consumption.

Scope 3

The indirect scope 3 greenhouse gas emissions mostly come from the upstream phase (extraction, production, distribution, etc.) in aviation kerosene production and carbon emissions from vehicles and runway equipment.

Other scope 3 components are the purchasing of goods and services, passenger road travel to and from airports, and employee commuting. We are examining these components with a view to reducing emissions.

For air travel, scope 3 emissions account for around 16% of total emissions (scopes 1, 2 and 3).

Reporting

Every year, we report 100% of our scope 1 and 2 CO₂ emissions, and the scope 3 emissions resulting from the upstream phase of kerosene production (according to the assessment made by the Group, these emissions represent approximately half of the total scope 3 emissions). These emissions are published in the form of indicators presented in the environmental indicator tables in the Registration Document 2018.

FUEL USE REDUCTION

Fleet modernization

Our fleet in 2018

Aircraft: 548

Average age: 11.3 years

| | AIR FRANCE GROUP | | | KLM GROUP | | |
|---|---------------------|---|--------------------|---------------------|---|--------------------|
| | AVERAGE AGE (YEARS) | AIRCRAFT TYPES | NUMBER OF AIRCRAFT | AVERAGE AGE (YEARS) | AIRCRAFT TYPES | NUMBER OF AIRCRAFT |
| | 12.2 | | 339 | 9.7 | | 209 |
| SHORT AND MEDIUM-HAUL | 13.6 | A318, A319 A320, A321 | 115 | 12.2 | 737-700/ -800/-900 | 50 |
| LONG-HAUL | 12.7 | A380, A330-200 A340-300 777-200/-300 787-9 | 106 | 10.6 | A330-200/-300 777-200/-300 747-400 787-9 | 66 |
| CARGO | 9.9 | 777F | 2 | 18.7 | 747-400ERF/BCF | 4 |
| REGIONAL FLEET AIR FRANCE HOP KLM CITYHOPPER | 12.3 | ATR, Embraer, Bombardier | 82 | 5.2 | EMB 175/ EMB 190 | 49 |
| REST OF THE FLEET TRANSVIA FRANCE TRANSVIA NL | 6.1 | 737-800 | 34 | 9.8 | 737-700/-800 | 40 |

We pursue a pro-active policy of fleet renewal and modernization, thereby contributing to the improvement of our energy efficiency and a reduction of our environmental footprint. In 2018:

Air France Group

- Air France: in long-haul, three A340s retired from the fleet list, and were replaced with two new B787-9s. In medium-haul, four old generation A319s were withdrawn. Air France added a new A320 Sharklet.
- HOP!: seven ATR42/72-500s were withdrawn from the fleet and replaced with the first of seven additional new Embraer 190s
- Transavia France: additional five B737-800s.

KLM Group

- KLM: reinforcement of the B787-9 fleet with three units, making it a total of 13 aircrafts at the end of 2018.
- KLM Cityhopper: introduction of five new Embraer 175s and two new Embraer 190s.

The modernization of the fleet will pursue in with the entry of fuel efficient aircrafts (6 Boeing 787 and 3 Airbus 350 in 2019) and the ongoing phase out of the remaining Air France Airbus 340 (2020) and KLM Boeing 747 (2021).

We will continue to invest substantial amounts in cabin refurbishment (A330, B777, A380), as well as in the satellite on board connectivity proposition, enabling our customers to access an in-flight WiFi connection.



For more information on Air France-KLM's fleet, see Registration Document 2018, section 1.3.4 Fleet.

Our fuel savings plans

We identify and implement every 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, to face new environmental and economic challenges, the new Flight Efficiency 2020 project was built on previous achievements, seizes new opportunities, and lies on the latest innovations. The actions carried out between 2016 and 2017 have saved nearly 15,000 tons per year. For the year 2018, the latest initiatives have improved our consumption by an additional 3,000 tons. Air France's goal for 2019 is to achieve an additional annual reduction of 25,000 tons of fuel, reducing our CO₂ emissions by 75,000 tons.

At KLM, a total of 16,000 tons of CO₂ were saved by KLM in 2018 through their Fuel Savings Plan. Between 2012 and 2018 in total 85,000 ton CO₂ has been avoided.

Weight reduction

The lighter an aircraft is, the less fuel it consumes. All Air France-KLM departments are continuously working to reduce weight onboard. The onboard products are chosen and adjusted according to their cost, their resistance and their weight, in order to reduce fuel consumption. Some examples in 2018:

At Air France:

- Onboard materials: reduction of the impact of Air France Magazine, optimisation of meal trays and crockery, new trolleys. For example, 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). 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.



- Drinking water carried on board: adaptation of daily prescriptions depending on the type of aircraft, the load factor and the duration of the flight. 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. For example, it is the case for dishes, trolleys, etc.

At KLM:

- KLM Inflight's efforts to reduce the weight of in-flight products enabled a CO₂ reduction of around 4,000 tons in 2018. This includes reducing the weight of onboard products, such as cabin redesigns, catering equipment, and carrying smaller stocks of beverages, watercups and earphones.

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 2018:

- The opening of new spaces and the progressive passing through free routes enables us to optimize the fuel consumption even more. Air Traffic Control (ATC)'s impact on Air France Group's fuel consumption has been estimated at 6%, or around 70,000 tons per year.
- KLM's route optimization efforts resulted in an additional CO₂ reduction of approximately 11,500 tons.



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, landing configurations, and, on the ground, taxiing with one engine. For example in 2018:

- 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.
- Air France deployed a new tool to support the flight planning for each flight, aiming at coordinating the measures to reduce fuel consumption, and optimizing fuel consumption and fuel use. During the flight, pilots use connected tools that allow them to optimize flight levels and routes, and to have up-to-date weather information.
- KLM's flight reduction plan saved around 16,000 tons 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.

Ground operations and optimization of aircraft performance

- Better use of ground-based engine replacement equipment for air-conditioning and aircraft power, and greater investment in environmentally friendly equipment.
- Innovations in all areas of maintenance to improve aircraft performance (engine wash, aircraft exterior wash, engine removal cycles)

SUSTAINABLE AVIATION FUEL

Sustainable aviation fuel constitutes one of the most promising approaches to reducing CO₂ emissions in 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 2018:

- Over 1,300 tons of sustainable bio-kerosene were used by KLM, together with its corporate bio-fuel partners
- Air France engaged in a Green Deal signed with the French government and 4 industrial partners in order to promote the emergence of sustainable aviation bio-fuel industries, in economically viable conditions that fully integrate circular economy principles.

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 until the end of 2023. The EU-ETS should be considered a first step towards a global system whose main principles were approved by ICAO in October 2016, and specified in the SARP (Standard and Recommended Practices) rulebook accepted by the ICAO council in 2018.

In 2018, Air France, KLM, Transavia, HOP! and KLM Cityhopper purchased emission allowances equivalent to 3,081,906 tons of CO₂. We estimate that out of this just 2,496,488 tons 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 13.5%, our total efficiency improved by 21.6% in 2018 (g.CO₂/passenger/km) compared to 2011, surpassing our 20% target for 2020.

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

CORSIA: Carbon Offsetting and Reduction Scheme for International Aviation

CORSIA is a historic agreement that sets out a global system for capping net carbon emissions for the international aviation industry, making aviation the first economic sector to address climate change at a global level. This global market-based scheme aims to limit the CO₂ emissions from international aviation by targeting carbon-neutral growth relative to the 2020 reference. Air France, KLM and other airline members of IATA continue to work on defining the implementation conditions of this agreement.

For the implementation of CORSIA, the calculation of the CO₂ emission reference data began on January 1, 2019 (to determine the average of 2019 and 2020 emissions): all operators across all countries must henceforth declare the CO₂ emissions from their international flights.

The first phase of CORSIA offsetting will start from 2021 to 2026, with seventy-six volunteering countries (representing 76% of international aviation activity), having already declared their intention to participate. The following phase, set up from 2027 to 2035, will be mandatory, and will concern virtually all countries (with the exception of few countries, unless they volunteer).

This new system aims to supplement the basket of mitigation measures already deployed by the industry to reduce the CO₂ emissions from international aviation. This basket includes technical and operational improvements, together with progress made in producing and using sustainable alternative fuels for aviation.

The Group expects this system to ensure simplicity, environmental integrity and an acceptable cost-efficiency ratio, to establish fair competition between the airlines, and avoid having a patchwork of local or regional regulations. In this regard, the CORSIA provisions should be included in the EU-ETS regulation as of 2021 for the scope of international flights.

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. These calculators are directly linked to an evaluation system, enabling passengers to balance the carbon emissions associated with their travel, should they so wish.

Air France partners 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 at implementing waste recycling projects in Madagascar. In 2018, Air France launched a new partnership and the program Trip and Tree with the organization A Tree for You (see Biodiversity page).



KLM calculates the actual CO₂ emissions of a flight based on aircraft type, the distance flown, and the historical load. In 2018, around 88,000 passengers neutralized the CO₂ emissions from their journey by using KLM's CO2ZERO service. This is an increase of almost 50% compared to 2017.

The contribution paid by passengers through CO2ZERO is invested in Gold Standard-certified CO₂ reduction projects. All Gold Standard-certified projects must contribute to at least two UN Sustainable Development Goals. Therefore, they have a positive impact on the environment, but also contribute to the local communities.



In the past, these contributions were invested in the Clean Cookstoves projects 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. In 2018, thanks to our passengers, the preservation and planting of 312 hectares of tropical forest was made possible.

On top of our operational improvements and mandatory offsetting, KLM reached almost 260,000 tons of total CO₂-savings by voluntary offsetting, since the start of the program in 2008.

GROUND ENERGY CONSUMPTION

OUR AMBITION 2020



AIR FRANCE

26% ENERGY EFFICIENCY
IMPROVEMENT COMPARED TO 2011
(KWH/M²)



KLM

20% ENERGY EFFICIENCY IMPROVEMENT
COMPARED TO 2011

OUR RESULTS 2018



AIR FRANCE

20.9% ENERGY EFFICIENCY
IMPROVEMENT COMPARED TO 2011
(KWH/M²)



KLM

18% ENERGY EFFICIENCY IMPROVEMENT
COMPARED TO 2011

Electricity consumption in buildings dedicated to ground operations, like aircraft maintenance and tertiary activities, generates indirect greenhouse gas emissions (scope 2).

We are targeting a 20% improvement in ground operation energy efficiency by 2020 (relative to the 2011 level), by optimizing energy consumption and increasing the use of renewable energies.

Having reached the 2020 target in 2017, Air France has set a new target for the same date in 2020, that corresponds to a 26% reduction in electricity consumption (expressed in kWh/m²) compared to 2011 as the base year. This result was achieved notably through an improvement in equipment, such as lighting, and the integration of this objective in supplier contracts.

- 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 need of the tertiary buildings comes from the recycling of heat generated by the air conditioning system.
- In the cargo warehouses, a new energy-efficient lighting system has replaced the traditional system, enabling an 80% savings (reduction in energy and maintenance costs) and avoidance of 285 tons of CO₂ emissions a year.



KLM has been introducing a range of energy saving measures in its buildings and processes. In 2016, KLM signed a fifth multi-year energy efficiency agreement with the Dutch Ministry of Economic Affairs, with the objective to reduce energy consumption by at least 2% per year until 2020.

- In 2018, KLM reduced its electricity and gas use by 3% and 5% respectively compared to the previous year. Between 2011 and 2018, KLM reduced the consumption of both electricity and gas by 19%.

In our buildings and hangars, we look for innovative solutions and turn to 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 use them, and to effectively manage energy use.

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

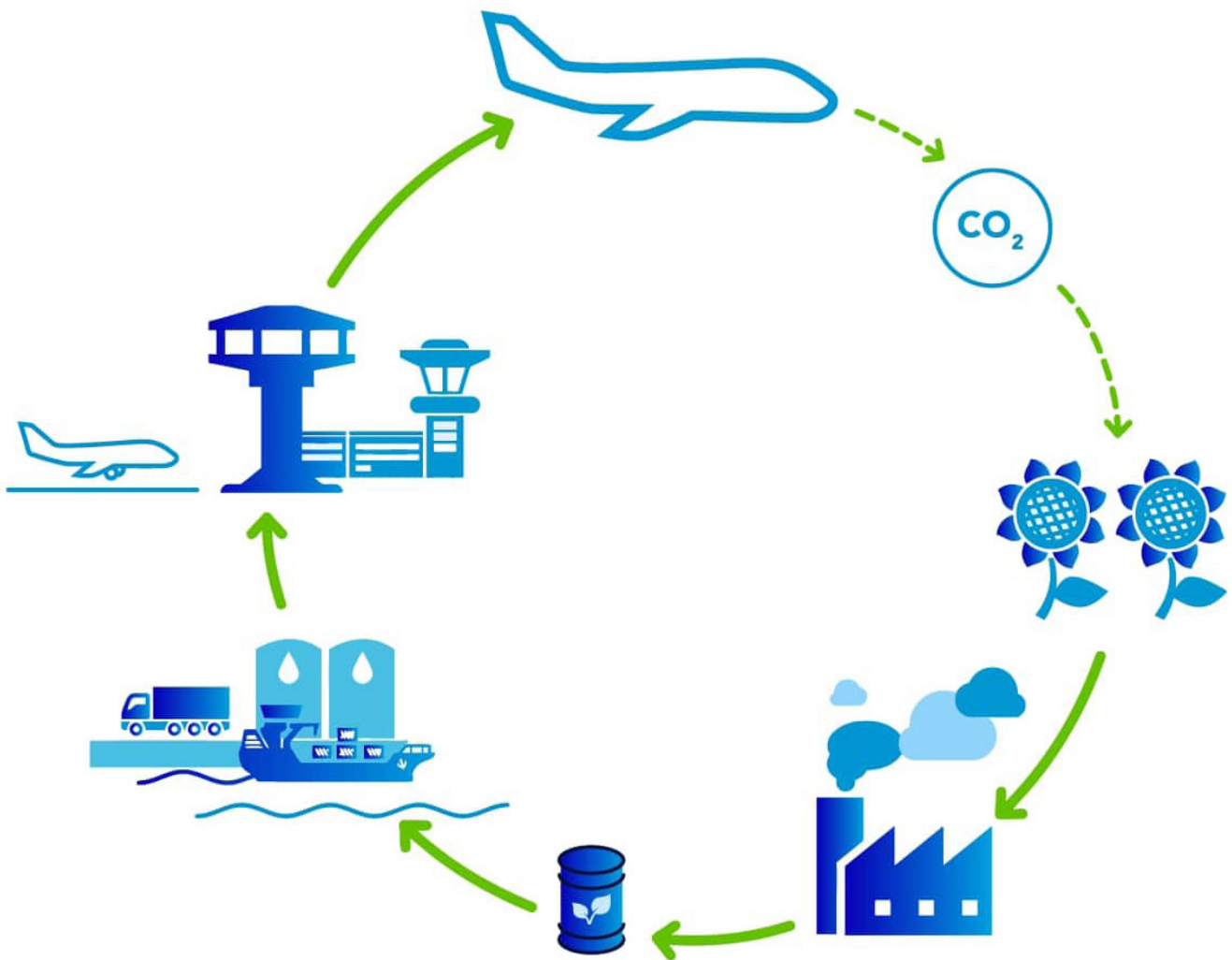
- Air France IT Center in Valbonne uses the solar energy provided by 6,000 m² of panels installed on the structure which also provides shade in the center's car park. This plant covers 10% of the IT center's annual electricity consumption, or the equivalent of 400 households' annual consumption.
- Air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

BIOFUELS

SUSTAINABLE AVIATION FUEL

Air France and KLM have shown that flying on sustainable aviation fuel (SAF) can be done both safely and responsibly. Using this alternative fuel can save up to 80% CO₂ emissions when compared to the use of conventional kerosene.

The Group's ambition is to stimulate the market for sustainable aviation fuel, while 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 sustainable aviation fuel.



SECURING STRICT SUSTAINABILITY CRITERIA

Sustainable aviation fuel has to meet stringent sustainability criteria. These include substantial reduction in CO₂ emissions, a minimal impact on the environment and biodiversity, limited competition with food production or the availability of food resources, and a positive impact on the social development of local communities.

In order to ensure the supply of sustainable feedstock we have been members of the Roundtable on Sustainable Biomaterials (RSB) since 2008, as well as one of the founding members of the Sustainable Aviation Fuel Users Group (SAFUG).

The sustainable aviation fuel that KLM uses is supplied by SkyNRG. SkyNRG has a strict internal process to ensure feedstock sustainability. An independent Sustainability Board, formed by WWF, Solidaridad, European Climate Foundation and University of Groningen, advises on sustainability criteria of the alternative fuel. SkyNRG is certified by the Roundtable on Sustainable Biomaterials.



STIMULATING THE INDUSTRY

We are members of several working groups and support research projects aimed at the creation of a biofuels market for aviation. For example:

- Air France s'est associée à l'ATAG (Air Transport Aviation Group) pour promouvoir, avec le Conseil pour la Recherche Aéronautique Civile, une meilleure connaissance des biocarburants aéronautiques et sensibiliser ainsi les pouvoirs publics sur la nécessité de soutenir une filière française. La compagnie participe activement à l'écriture de la feuille de route nationale sur les biocarburants aéronautiques, pilotée par l'Alliance nationale de coordination de la recherche pour l'énergie (Ancre).
- Air France has joined forces with the ATAG (Air Transport Aviation Group) to promote biofuels for aviation, and together with the French Civil Aviation Research Council strives to raise public authorities' awareness of the need to support the French biofuels industry. Air France is also actively participating in the establishment of the French national road map of aviation biofuels managed by the National Alliance for Coordination of Research on Energy (ANCRE).

- In 2018, KLM started investing in 120,000 liters of bio-jet fuel per year on flights bound for the new Swedish destination, Växjö. KLM has guaranteed that it will purchase 5% of bio-jet fuel used for all flights to and from Växjö. Together with Södra and the City of Växjö, KLM and SkyNRG will also investigate the feasibility of producing bio-jet fuel in the region around Växjö.
 - During the World Efficiency event in December 2017, Air France signed an Engagement for Green Growth (Engagement pour la Croissance Verte – ECV) with the French Ministry for Ecological and Inclusive Transition, the French Ministry of Transport and the French Ministry of the Economy and Finance, along with four other major French industrial companies (Airbus, Safran, Suez and Total). The ECV aims to promote the emergence of sustainable aviation biofuel industries that, in economically viable conditions, fully integrate circular economy principles. The idea is to support and rapidly create the conditions for implementing these industries in France. An official report is delivered, on quarterly basis, to the French authorities.
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SUPPORTING REGULATORY INCENTIVES AT NATIONAL AND INTERNATIONAL LEVEL

We are actively involved in the Advanced European Biofuel Flightpath initiative where KLM acts as co-chair. We are also members of the ART Fuels Forum. Created and funded by the European Commission, this forum of experts aims to shape strategies and policies for market development and to examine the conditions for promoting alternative sustainable biofuels, notably in aviation. It brings together EU policy makers, fuel producers and transport stakeholders, as well as the main stakeholders of international corporations, to facilitate the formulation of policies aimed at reducing barriers to the development of biofuels.

Air France participates in the Ini-FCA French Future Alternative Fuels Initiative, led by the French Civil Aviation Authority (DGAC). At the CORAC (Council for Civil Aeronautical Research), the company actively participates in formulating a biofuels strategy involving coordinated actions to further technological research and innovation in order to attain ecological transition objectives within a global context.

As part of the Dutch climate agreement, KLM is actively involved in the new working group for sustainable aviation fuels, a collaboration between the Dutch Government and several private parties with a collective ambition of launching sustainable aviation fuel production in the Netherlands.

INNOVATING IN THE SUPPLY CHAIN

In 2010, KLM created the SkyNRG venture to develop a sustainable fuel supply chain from purchase to delivery. SkyNRG is now the world leader in sustainable aviation fuel, supplying more than fifteen airline companies globally. Currently, KLM is shareholder of SkyNRG.

In 2016, KLM signed a three-year contract for the supply of sustainable biofuel at Los Angeles airport, and is planning to continue this initiative in the coming years. All KLM flights from Los Angeles airport will be operated with sustainable aviation fuel produced by the local World Energy (former AltAir Fuels) refinery and supplied by SkyNRG.

INVOLVING CUSTOMERS AND PARTNERS

As part of its WWF-NL partnership and the Green Deal commitment, KLM launched the Corporate BioFuel Programme in 2012. In 2018, Air Traffic Control The Netherlands, Arcadis and Södra joined the program. Thanks to its partners in the KLM Corporate BioFuel Programme, KLM is able to bridge the price difference between fossil fuels and sustainably produced bio-jet fuels.

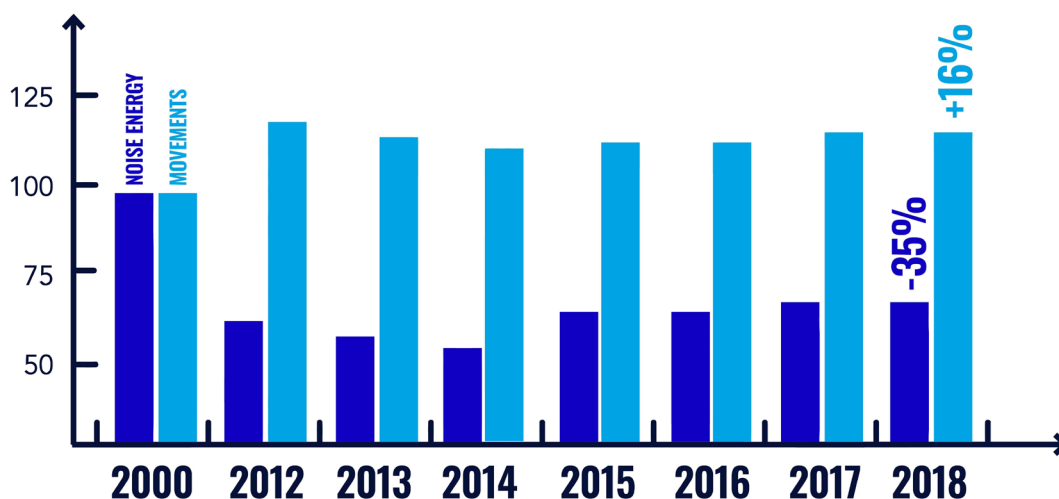
In France, Air France mobilizes the partners in the biofuel value chain around the Engagement for Green Growth.

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.

42%: REDUCTION OF GLOBAL NOISE ENERGY PER MOVEMENT SINCE 2000.

AIR FRANCE KLM GLOBAL NOISE ENERGY INDICATOR



REDUCING NOISE AT SOURCE

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

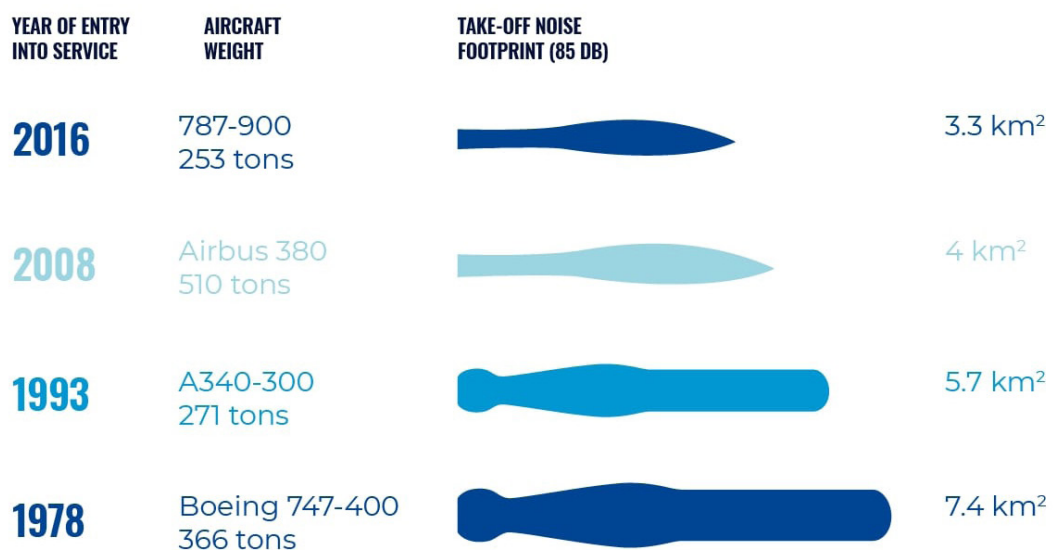
Fleet renewal

We pursue a pro-active policy of fleet renewal and modernization, thereby contributing to the improvement in our energy efficiency and a reduction in our noise footprint.

We significantly reduced our noise footprint by withdrawing the noisiest aircraft, Boeing 747s and A340, from operational service, and introducing the 787-9. In 2018:

- Air France retired its last Boeing 747 in 2016 and six A340 aircraft in 2017 and 2018. It has and introduced six 787-9 since 2017.
- KLM added three Boeing 787-9 Dreamliners and seven Embraer 175+ aircraft to the fleet. Three Boeing 747s were phased out.
- The introduction of the Boeing 787-9 reduced the operational noise footprint by approximately 40% 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 improved 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 thanks to KLM's active strategy of fleet renewal and operational measures. The goal of 5% noise hindrance reduction among highly annoyed persons (Alders Agreement 2008) has been achieved and surpassed, reaching 20.3 % (source: 2013 Alders research).

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

Air France and KLM are engaged in an ongoing dialogue with representatives of local communities bordering the airports in order to strengthen their relationships with stakeholders and residents.

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 and aviation authorities 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. In 2015, the Committee was succeeded by a 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% by 2020, relating to the number of severely annoyed people in the airport vicinity. The target has already been achieved well above the set goal (20.3%), an achievement that can be attributed to fleet renewal and a 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 residents' issues, such as CCE (Commission Consultative de l'Environnement) and CCAR (Commission Consultative d'Aide aux Riverains) at all the French airports where it operates.

Air France has been actively involved in a Night Flights working group, overseen by the Prefect of the Paris-Charles de Gaulle airport region. This working group notably proposed new "dead of night" continuous descent procedures and welcomed the commitment to retiring noisy aircraft, including Air France's B747 aircraft. Lastly, the punctuality of flights scheduled for late at night or early in the morning is the subject of a specific monitoring procedure.

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

- In 2018, the Air France Group's contribution (Air France, Transavia and HOP! Air France) to the French Tax on Air Transport Noise Pollution (TATN) paid to the French government amounted to €18 million. Overall, since 2005, Air France Group was one of the biggest contributors to the total €676 million of noise TATN taxes.
- Extensive noise control measures have been implemented Around Schiphol airport. Over the past two decades, KLM has contributed a major portion to the total of €754 million noise taxes, and has been devoted to soundproofing and compensating for loss of property value around Schiphol airport.

AIR QUALITY

At the airports where we operate, the majority of gaseous emissions and particulates are emitted by aircraft movements (taxiing, takeoff and landing). The remainder is produced by ground activities, maintenance operations, 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, more energy efficient fleet
- improving operational ground procedures
- introducing more efficient or electric Ground Support Equipment (GSE) and vehicles
- developing eco-mobility solutions for employees

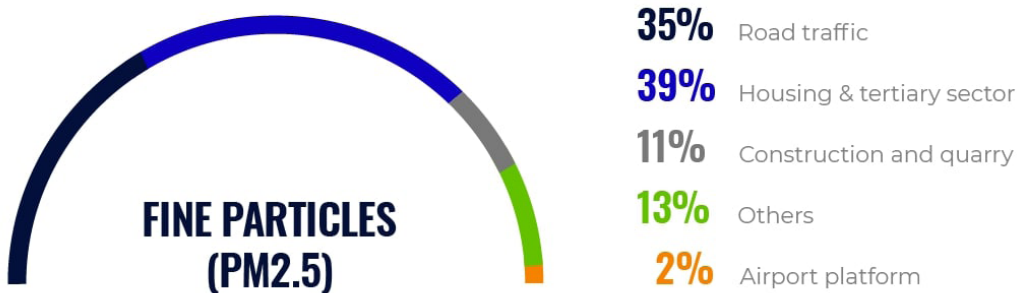
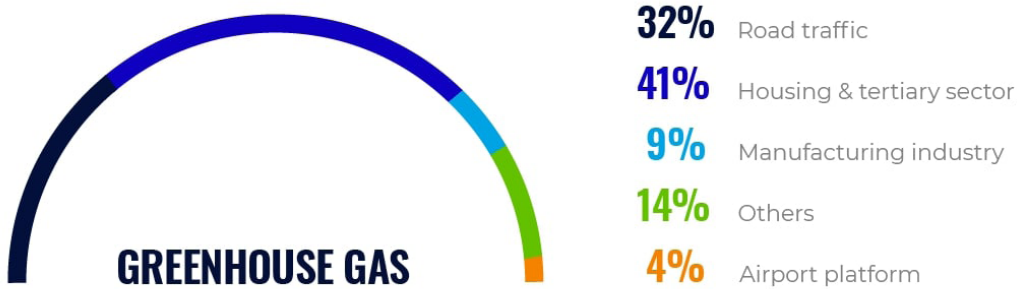
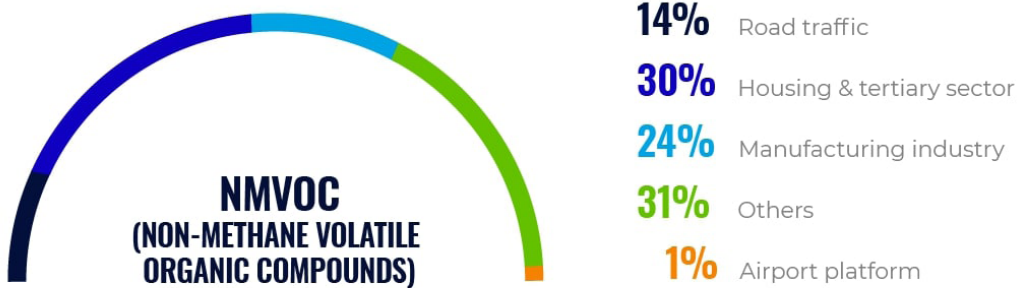
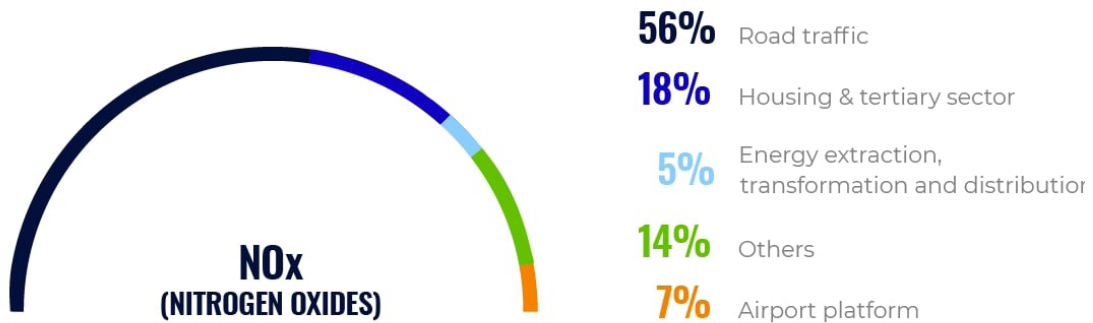
We monitor our atmospheric emissions for both flight and ground operations, including low altitude emissions which impact the quality of the air around airports. The indicators cover emissions of CO₂, SO₂, NO_x, HC and Volatile Organic Compounds (VOC).

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

In France, the SURVOL Observatory (implemented and supported by the Airparif organization) monitors air quality in the airport surrounding areas of Ile-de-France. This monitoring has enabled them to evaluate the impact of airport activities on air quality, build a database of pollutant levels for future health studies, and keep local residents informed.

In the Netherlands, KLM monitors the diesel exhaust concentration every three years at Schiphol apron and cargo area. In 2018, the results showed a slight decrease in the level of diesel exhaust concentration. This seems to be the result of the increased investment in electric Ground Support Equipment (GSE), as these vehicles seem to have a bigger effect on the diesel exhaust concentration than the growing number of flights at Schiphol.

BREAKDOWN OF EMISSIONS PER SECTOR IN PARIS REGION AREA



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 onboard the aircraft;
- Ground Power Units (GPUs), as well as an increasing number of aircraft towing trucks, equipped with automatic power-shutdown systems.

In 2018, we achieved the following results in 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.
- Air France is gradually starting to replace the diesel engines in the conveyor belt vehicles used for loading and unloading baggage on aircraft with an electric drive made from recycled products. To develop this collaborative project, Air France has chosen to team up with CarWatt, a French startup that retrieves used lithium-ion batteries from individual electric vehicles and recycles them to give them a new life. The first operational prototype has just gone into service at Paris-CDG and the conversion of 10 additional belt vehicles is being considered.
- Since 2011, CO₂ emissions of KLM's GSE have reduced by over 7% and NOx emissions by 44%. This has been achieved by introducing more efficient or electric GSE. KLM is working towards a zero emission GSE fleet in 2030, in line with their ambition of attaining an emission-free ground operation.
- Air France is advancing the use of electric power converters (ACUs) for the air conditioning of aircraft on the ground. The use of thermal ACUs, APUs and GPUs results in a reduction in emissions.



ECOMOBILITY SOLUTIONS FOR EMPLOYEES

To reduce local impact, Air France-KLM offer eco-mobility solutions to their employees whose commuting trips represent about 6% of scope 3 CO₂ emissions.

Employee commuting

Air France mobility plan aims to increase employee awareness and to reduce pollutant emissions linked to commuting between home and work by promoting public transport, making temporary offices available, encouraging remote working, or 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.

In the Paris area, Air France works with the R'PRO'Mobilité association on implementing an inter-company mobility plan at Paris-CDG airport. We also actively contribute to the implementation of a new inter-company mobility plan at Paris-Orly airport. Air France has pooled its resources with those of large companies around the airports to promote responsible mobility. Other possibilities, such as carpooling and development of environmentally-friendly transportation methods like cycling, are also being examined.



KLM promotes the use of public transport by providing free access to transport around Schiphol and KLM's offices to its employees. In 2018, several pilot projects with electric bicycle-sharing were started, promoting a healthy and environmentally-friendly way of transportation.

More generally, 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 Paris-CDG and Orly airports, as well as other French airports, this being an essential complement for a top global air network, to the advantage of its employees, service providers and customers.

Teleworking

Air France promotes the development of teleworking for all posts that allow remote work. This solution contributes to the improvement of organization, quality of daily life at work, and prevention of risks. Teleworking also has significant environmental benefits.

- In 2018, in France, 2,807 Air France employees were registered as remote workers at least one day a week, which represents a rise of nearly 30% compared to 2017.

- The fewer journeys to/from work meant that more than 5.6 million kilometers, or 141 times the Earth's circumference per year were avoided, thus attaining a savings equivalent to 1,355 tons of CO₂.

Supporting the use of electric personal and professional vehicles

- A fleet of ten 100% electric and personalized vehicles in Air France colors, is available to Air France and HOP! employees working in Montreuil for every work-related travel in the Paris region. In 2018, three new vehicles were made available to employees on the Paray-Vieille-Poste in Paris-Orly area, which made it possible to increase the number of employees who can use these vehicles for work-related trips.
- Parking spaces with electric charging points are available for staff in several parking areas in Paris-CDG. More parking spaces will be equipped in 2019.
- The startup Crewpop, which began as an employee initiative, received support from Air France, entering a trial phase at the end of 2017. As part of a carsharing initiative, it allows Air France employees to use electric cars for personal travel. The company continued its development in 2018.

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.

Air France has set itself a target of recycling or reprocessing 100% of non-hazardous waste and 60% of hazardous waste by 2020. In 2018, Air France achieved a recycling and recovery rate of 90% for non-hazardous waste and 57% of hazardous waste.

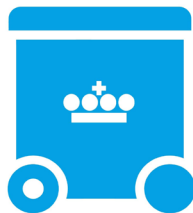
KLM has already achieved its 2020 objective of recycling and recovering 100% of non-hazardous waste and continues to work on eliminating 50% of residual waste by 2030.

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 2030 (COMPARED TO 2011)

OUR RESULTS 2018



AIR FRANCE

90% OF NON-HAZARDOUS WASTE
57% OF HAZARDOUS WASTE
RECYCLED AND RECOVERED



KLM

9% LESS WASTE AND 28% RECYCLED
73% OF WASTE PRODUCED BY GROUND
OPERATIONS IS RECYCLED

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 non hazardous 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

Air France and KLM handle food waste coming from flight operations with 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 stringent, like the European Regulation requiring the incineration of any element having been in contact with food on flights arriving from outside the EU.

Two main levers help reduce food waste: the adjustment of the catering embarked on flights and a strict policy of merchandise inventory management.

- Based on statistics and historic flight load factors, as well as passenger habits, the number of meals actually embarked is regularly re-evaluated. This re-evaluation prevents waste creation and reduces production and transportation costs. This also reduces the onboard weight, resulting in lower CO₂ emissions.
- To regularly renew the in-flight service offer, some products are made available to passengers for a limited period only. At the end of this period some products are served in the Air France lounges while others may be donated to charitable organizations (Restos du Cœur, Mie de Pain, Red Cross).
- Lastly, the products that are not distributed to passengers but can be conserved, are recovered and reinserted in the flow of meal trays prepared for the ensuing flights. In this case, cost saving is combined with waste minimization efforts.

REDUCING AND RECYCLING INFLIGHT WASTE

To reduce the overall impact of inflight 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.
- Items on KLM flights have been eco-designed to reduce the waste and weight on board. The new Economy class catering product features a smaller tray and cutlery as well as a salad bowl out of recycled PET. The placemat on the tray has been removed, thus saving 9 million placemats a year. KLM has also removed plastic cutlery wrapping and introduced a new headset with less plastic.
- On all of KLM's European flights, on-board waste is sorted and trolleys are adapted to collect cups. Cans, glass, aluminum lids and PET plastic bottles are also sorted and recycled.

Furthermore, unused equipment like earphones and cutlery sets are kept apart and reused on other flights.

- The introduction of the Air France Press App and the KLM Media App led to replacing a part of the newspapers offered on board and reducing onboard weight (around 1,300 tons of paper waste prevented per year and 4,600 tons of CO₂ avoided). The paper version of the onboard magazine, Air France Magazine, is recycled (700 tons of recycled paper per year).
- KLM Catering Services continuously runs programs designed to improve waste management: waste reduction, increased share of recycled waste and identification of the appropriate reprocessing facilities. In joint efforts with Procurement, KLM achieved a 19% onboard waste reduction per passenger, compared to 2011. Strict laws surrounding food safety on international flights prohibit recycling of almost all onboard items, although 73% of waste produced by ground operations is recycled.
- To avoid product destruction and promote reuse, Air France signed a framework agreement with the association Agence du Don en Nature (ADN). By donating new, remodeled and recycled products like crockery and blankets, we support the work of ADN which collects and redistributes new non-food items to fight against exclusion in France. 51 pallets of crockery were donated to the ADN in 2017, and nearly 1,500 Air France bags were donated in 2018.

REUSING AND RECYCLING AERONAUTICAL WASTE

We continue to develop 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 2018, more than 400 tons of aircraft parts and metal were recycled at Air France Industries and KLM Engineering & Maintenance. Through the KLM's ScrapPlaza program, every year, KLM E&M sorts the flows of waste that can 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 30%, resulting in a savings of 36 million sheets of paper.
- Within the framework of the NET project (New Workspaces) Air France has implemented a waste collection system enabling the sorting of waste, with the goal of 100% recycled waste in 2020. This system relies on easily identifiable color coding which facilitates sorting (bio-waste, paper and cardboard, bulky waste, plastics). In 2018, 264 tons of bio waste were collected and 127 tons of paper were recycled.

SAVING WATER

In our continuous effort to avoid water wastage and 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 workstations. Maintenance activities, and in particular the washing of aircraft and engines, use the most water.

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. The process in which pads are used requires 80 times less water than the previous one: 150 liters to clean a Boeing 777, rather than 12,000 liters used before. 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 visits to the hangar or 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.

The Group's water consumption has been reported in the Air France-KLM Registration Document section 4.3.6.2.

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:

- A permanent recycling system is now in place for Air France uniforms and overalls. Staff are invited to adopt good recycling practice by depositing uniforms and overalls in secure containers in the Air France premises. Once collected and recycled, they are transformed into energy in the form of heating pellets, the residues being used to manufacture cement. In total, since September 2018, 7.5 tons of textiles have been collected and recycled at the Paris-CDG site. Furthermore, employees have launched the 100% Uniforms upcycling initiative, offering a collection of non-aeronautical accessories (pouches, etc.).
- 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, and 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:

- KLM aims to reduce the amount of residual waste it produces by 50% in 2030 (compared to 2011). This will be achieved through cutting the overall amount of waste and increasing the share of recycled waste. In 2018, the amount of waste was cut by 9% and 28% of total waste was recycled. Onboard waste was reduced by 19% per passenger.



- At KLM, fourteen different kinds of waste are separated and recycled, including paper, metal, glass, plastic, wood, clothing, electrical equipment. 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, startups and knowledge institutions, have resulted in innovative circular solutions. For example, the use of 3D printer to print components out of our plastic waste, and the use of old uniforms in office furniture. KLM has started to manufacture several items made from cargo straps, including bags which are now available in the Flying Blue shop. 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 have been 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.

BIODIVERSITY

The impact of air transportation on biodiversity is linked to the effects of climate change induced by the CO₂ emissions it generates. We support a number of projects and initiatives aimed at protecting biodiversity around our hubs and destinations.

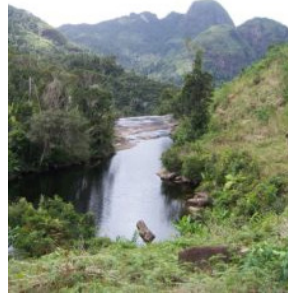
SUPPORT FOR THE HFCP PROGRAM IN MADAGASCAR

Since 2008, Air France has chosen to support a REDD (Reducing Emissions from Deforestation and Forest Degradation) project by contributing to The Holistic Forestry Conservation Program (HFCP) in Madagascar.

In 2018, ten years after its launch, the program attained one of its objectives by achieving carbon certification.

- The sale of the associated carbon credits will supplement the financing of the third phase which will secure longer term project viability in terms of support for local communities engaged in preserving their environment.
- The success of the program demonstrated the effectiveness of coordination between the four parties – the Madagascar State, Air France, public sector lending agencies and the NGO EtcTerra.

- The Communication of the HFCP results has had a knock-on effect with other countries and parties, who have all committed to programs aimed at combating deforestation which is responsible for 15% of global greenhouse gas emissions.



PROJECTS SUPPORTED THROUGH CUSTOMER OFFSETTING

Alongside the French Civil Aviation Authority (Direction Générale de l'Aviation Civile – DGAC), Air France is a founding member of the A Tree For You association which connects, in a completely transparent way, donors and tree-planting projects everywhere in the world.

- Developed in 2018, the Trip And Tree by Air France program enables passengers to volunteer to reduce their environmental footprint by planting trees.
- This reforestation program is an integral part of the online ticket purchasing process and will be gradually rolled out in 2019.
- Having been selected by a committee of independent experts, these projects are also recognized for their civic aspects as they stimulate the creation of jobs in these countries.



With the CO2ZERO compensation service, KLM offers its passengers the opportunity to fly CO₂-neutrally, and thus contribute to CO2OL Tropical Mix, a reforestation project in Panama.

This project was awarded a Gold Standard Global Goals certificate. Its goal is to transform former agricultural land into new mixed forests by planting a blend of mainly native trees and some exotic species.

In addition to the numerous environmental benefits, such as biodiversity protection and ecosystem restoration, the project's activities integrate capacity building and create long-term employment with a sustainable source of income for the local population, helping them to improve their living conditions.

AN ASSOCIATION TO PROMOTE THE PRESERVATION OF AIRPORT BIODIVERSITY

Air France HOP! has initiated an innovative, collaborative project to study and preserve biodiversity around airports, an area specific to air transportation. With preserved green areas averaging at 73% (with all airport infrastructure nationwide amounting to 340 km²), aviation can play a role in the preservation of grassland, Western Europe's natural habitat that is now most under threat.

The project, which was launched under the aegis of an independent scientific committee composed of multidisciplinary experts (Natural History Museum, CNRS, conservatories), developed into the HOP! Biodiversity association in 2015, regrouping some twenty partners at the end of 2018: Air France, HOP!, Air Corsica, Air Saint-Pierre, the National History Museum, the French Civil Aviation Authority (DGAC) and sixteen airports, including the three ADP airports and two of its aerodromes. All have made this project an integral part of their sustainable development policies and the in-field commitment has, since 2016, been recognized by the French Ministry of Ecology, Sustainability and Energy as part of the National Strategy for Biodiversity.



CONTRIBUTING TO COMBATTING THE TRAFFIC IN PROTECTED SPECIES

Air France and KLM are signatories of the Buckingham Palace Declaration which formalizes our resolute commitment to combatting illegal trading in protected species.

For many years, we have been committed to combatting this illegal trade.

- For example, our cargo division has already carried out a number of initiatives, notably employee training and awareness raising for customers, and participates in working groups with international bodies and associations (World Organization for Animal Health – OIE, IATA, United for Wildlife).
- In 2018, an awareness-raising program was developed for frontline operational staff to help them spot and report suspicious behavior or baggage to the relevant authorities. Air France also provides information for its customers, particularly on its commercial website under Prohibited and Regulated Goods.
- Air France is behind a working group set up at the end of 2017, bringing together Paris Aéroport, the Customs authorities, Chronopost and WWF to plan joint, coordinated initiatives at the Paris-CDG hub.





IN DETAIL

EMPLOYEE JOURNEY

WORKING CONDITIONS AND SOCIAL DIALOGUE

As an airline Group at the service of customers, our growth relies on the professionalism of our employees and on their levels of motivation and commitment. The working conditions and social dialogue within each division constitute a key performance lever for the Group.

The 2018 financial year was marked by a difficult HR context within Air France during the first semester, as well as by a change of governance. In September 2018, Benjamin Smith was appointed as Chief Executive Officer of Air France-KLM, and Chief Executive Officer of Air France until the appointment of Anne Rigail as Air France's Chief Executive Officer at the end of 2018.

The agreements signed with the professional organizations enabled the company to move forward together within a calmer context. They give the Group the perspective to work on defining its strategy to become a global leader by reinstating the conditions for strong, profitable and sustainable growth.

We seek to preserve cohesion by fostering a constructive and transparent social dialogue and by pursuing a policy based on treating individuals with respect and by showing responsibility towards customers. The objective shared by all companies within the Group is the provision of working conditions enabling employees to effectively fulfill their functions.

SOCIAL DIALOGUE AND REPRESENTATIVE BODIES

Air France-KLM

- The coordination of the workplace dialogue takes place in each of the entities comprising the Group and within the Group's European Works Council (*Comité de Groupe Européen – CGE*), bringing together the representatives of staff whose head offices or entities are based in the European Union. The CGE convened four times during 2018.
- Within the framework of the European Works Council, the Group's Strategic Committee met twice to discuss the Group's strategic orientation with the Chief Executive Officer.

Air France

- With the rejection of the salary agreement following the mandatory annual negotiations, the first half of 2018 was marked by damaged employee relations. In total, between February and May, customers were impacted by 15 days of strikes. During the second half of the year, the main priorities were regaining social stability in Air France by resolving these key issues.
- The *Comité de Groupe Français* (CGF) met three times during 2018, and was briefed on various matters such as the results of the Air France Group or HOP! operations and outlook.
- As for the functioning of the Employee Representative Bodies, nine meetings of the Air France Central Works Council (*Comité de Central d'Entreprise* – CCE) were organized. The elected representatives were consulted on, and/or informed on major issues relating to the Company's overall situation and, notably, of Air France's results and HR policy, working conditions and employment.

KLM

In terms of social dialogue and employee issues in 2018: ten meetings of the KLM Works Council, attended by the President and Chief Executive Officer of KLM, were held.

The KLM Works Council participated in two strategy meetings, with delegates from the Board of Directors and the Supervisory Board.

An extensive social dialogue between the Works Council and HR was established in order to co-create a shared people vision for the future. HR translated this into a strategy which provides guidance for initiatives closely linked to this vision.

KLM's Works Council initiated discussions with their own representatives and management on how to modernize employee participation within KLM.

NEW COLLECTIVE LABOR AGREEMENTS

At Air France, in 2018, a number of important agreements were approved and signed after the negotiations with the representative union bodies. Notably, an agreement on salary increase, an agreement on professional gender equality and several agreements on the development of the quality of life in the workplace and prevention of psychosocial risks.

In 2018, KLM renewed its three Collective Labor Agreements (Cabin Crew, Flight Deck Crew and Ground Staff). The CLAs contain equivalent wage sections and an equal total wage cost increase of 4%.

For more information on these agreements, please refer to the Registration Document 2018, chapter 4.

EMPLOYEE EXPERIENCE

At Air France, the Flight Plan is a veritable road map setting forth the company's five strategic priorities.

- Promoted by the Executive Committee, it establishes the direction of projects and the framework for the measures deployed in each division.
- One of the strategic priorities aims to reinforce the Employee Experience, placing employee concerns at the heart of the business. This ambition finds its concrete manifestation in the commitments vis-à-vis the employees at every stage of their career paths.

The main themes are as follows:

- support the development of staff,
- promote and support employee initiatives,
- promote team spirit,
- reinforce motivation,
- modernize social dialogue,
- pursue our civic commitment,
- improve health and safety in the workplace.

KLM's new strategy called for a transformation of the company organization: the implementation of the High Performance Organization, now almost complete, reduced management layers and introduced more integrated and effective decision-making. The new KLM Compass, KLM's leading vision document, attempts to consolidate people's values and behavior into the KLM purpose. All the collective labor agreements were modernized with digital tools that facilitate collaboration. KLM thus became more productive, effective and cost-efficient.

Highlights of this year included:

- Decreased level of absenteeism
- In February 2018, the Employee Event & Pioneers Fair proved to be a great success. The purpose of the event was to give employees a memorable experience, to connect employees and to encourage engagement.
- KLM continued the digital transformation with a focus on employees. In 2018, fifteen new HR IT-solutions were introduced.
- The Winning Way of Working program (WWoW) integrates the concepts of space, culture and digitization and focuses on three main topics: a new working environment, improved services, and a new way of collaborating with colleagues.
- Work on Strategic Workforce Planning
- A more inclusive and diverse workforce.

EMPLOYEE PROMOTER SCORE

Both Air France and KLM started using the Employee Promoter Score (EPS), the in-house version of the Net Promoter Score used to measure customer satisfaction.

A selection of employees was questioned on whether they would recommend Air France or KLM as an employer. The results were shared within the companies.

- At Air France, despite the turbulent period within the company, the Employee Promoter Scores (EPS) for February (45) and October (39) showed strong employee engagement, surpassing the 2018 target of 37.
- At KLM, the average EPS score in 2018 was 61. On top of the KLM-wide EPS issue, managers also started to work with EPS on a team level. In addition, around 35 percent of the teams began using EPS to determine whether team members would recommend their team to someone else and to measure engagement via a short set of questions. EPS helps to engage leaders and team members in a dialogue around issues that need to be addressed.

HUMAN CAPITAL DEVELOPMENT

The effective management of skills within an organization contributes towards employee engagement, which in turn, helps to achieve the Group's objectives. For each specific category, training programs are developed at Air France and KLM to give employees the opportunity to learn and develop. Whenever possible, relevant training programs are organized transversally across domains or entities in order to share experience and learn from each other. In 2018, preparations were made to develop a new Learning Management system to be used by the different entities of the Group. This system should facilitate an introduction of a standardized process of managing new skills development across the Group.

TRAINING AND MOBILITY

WE HAVE MAINTAINED A HIGH LEVEL OF ACCESS TO TRAINING.

39.7H: NUMBER OF TRAINING HOURS PER EMPLOYEE

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.

Air France

At Air France, 95% of employees benefited from training in 2018.

The ambitious training policy is key to supporting the employment policy and broader company strategy. It is based on a series of general principles that are reaffirmed on an annual basis and that form an integral part of the Employee Experience:

- Guaranteed access to training for everyone,
- Ensuring the visibility of everyone's skills, notably by developing graduate training and by certifying diplomas,
- Maintaining economic equilibrium.

In 2018, all recruitment, specifically that flight crews (hostesses, stewards and pilots), but also that of new executives and technicians was supported by the training plan.

New ways of accessing training were opened to employees, such as My Learning self-service training modules (available to all employees), Massive Open Online Courses, Manager Cafes and days dedicated to HR and manager networks.

The recognition of employee skills via the Validation of Previous Experience scheme continued through a partnership with a network of prestigious universities and programs at all levels of the company and its professions.

In order to meet the need for advanced professional capabilities, the company sets professional mobility, vocational rehabilitation and training as high priorities. One of the key challenges for job mobility is communication.

- Air France developed systems through which their needs could be advertised to the employees.
- Mobility Centers offered specialist career mobility guidance: individual support in job changes, mobility workshops, thematic conferences and job-dating events showcasing the company's professions.

KLM

A number of processes were optimized and new initiatives were launched in 2018, such as:

- All ground staff were given the opportunity to spend 1.93% of their annual salary on professional development.
- Talent Management supported the management teams in observing and evaluating the employees by using the Deepening Dialogue method. At Inflight Services, some 3,200 cabin crew members were trained during one of the learning initiatives.
- Within Flight Safety Training, 1,500 training courses were developed, resulting in 41,000

training days. A new tool was introduced to enable crew to hone their flight safety knowledge: 95% of the staff (9,800) is now using the tool.

- In the Cargo division, classroom training was replaced by a “HoloLens“ virtual reality training program, which represents an improvement in:
 - Reduction of invested time by 25%;
 - More successful transfer of new skills
- Return on investment in Human capital development:
 - To measure benefits quantitatively and qualitatively from investments in employee development the Kirkpatrick/Philips evaluation and measurement process was implemented.
 - An ROI model for Learning & Development projects was developed and pilot projects were organized.

Mobility has top priority. In 2018:

- KLM has succeeded in transferring a significant number of staff internally to other jobs.
- KLM Transition Center supported over 600 employees in search of new jobs either inside KLM or outside the company since its establishment in June 2016.

AIR FRANCE AND KLM VOLUNTEERS

Air France and KLM Volunteers programs play an essential role in case of a major event that could jeopardize the safety of our customers, our employees or our operations. These programs bring together 3,500 employees of Air France and 2,000 employees of KLM of different positions, skills, hierarchical levels or geographical locations.

The Volunteers training is periodically updated so that it corresponds to real conditions and foreseeable situations, for example, the pressure from social media in case of crisis.

Air France based the training for volunteers, developed in cooperation with different specialists, on testimonies and analysis of real-life situations. This training is organized onsite in order to encourage exchange and personalized answers. At the international staff's request, this training can also be provided anywhere in the world, in French or in English. One of its goals is to teach the Volunteers how to fulfill their mission while protecting themselves emotionally, and to provide maintenance of competence as regularly as possible.

Since its revision, more than Air France 500 volunteers have been trained. A dozen of trainings were planned to reinforce the program and maintain the highest level of preparation. In 2018, trainings were organized for volunteers in the international offices in Beijing, Shanghai, Guangzhou, Hong Kong and Bogota.

To support the KLM Care program, an emergency response program in the event of an accident involving a KLM aircraft, Care Introduction Training, has been developed, and eight

Care Events were organized as refreshers for 300 KLM volunteers.

KLM started a partnership with Deedmob, a digital platform that brings together supply and demand for volunteers. Within the HR Community a Deedmob pilot project was started. A choice was made among charities whose work matches that of KLM Compass.

YOUNG PROFESSIONAL AND INTERN DEVELOPMENT

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

To attract and recruit young talents, Air France and KLM have close links with schools and universities. They are actively involved in attending university fairs, working on the development of business-education partnerships, and organizing student visits of company offices.

Air France

In 2018, an innovative immersion program initiated by young managers and backed by the HR department, involved 50 young managers who sported the uniform of a ground handler or flight attendant during the summer. Experiencing the customer relationship on board and at the airport, understanding other people's jobs, and going behind the scenes are key to meeting the customer's expectations better. This practice will be applied to all young managers in 2019.

As part of the Sixth Air France Internship Charter, Air France offers young professionals the opportunity to gain quality work experience. In 2018:

-
- More than 2,700 apprentices and 1,000 new interns from further and higher education institutions were welcomed and trained.
- In order to continue the development of internships at Air France, the ambitious program was expanded to cabin crew professions. We welcomed more than 250 cabin crew apprentices who had up to 300 hours of training that resulted in a professional certification (Cabin Crew CQP) 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.
- In March 2019, Air France received the "Prime Employer" label awarded by the "Engagement Jeunes" platform. The award is given in recognition of Air France's recruitment policy that favors the integration of interns, as well as the managerial quality of its tutors and mentors. The award also reflects Air France's strong commitment to offering a unique and quality experience to its interns.

220 Air France volunteers 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. One of such actions were the video presentations now available on our Career's site, where Air France's young potentials talk about their roles within the company.

The ambassador network also organized student hackathons, where original challenges were aimed at creating special links with students and recruiting new talents in the long term.

For example, in 2018, Air France IT Division organized a hackathon for Paris Ponts et Chaussées engineering school students on the topic of aircraft itinerary optimization (i.e. designing an aircraft schedule) that draws on the rise of data science, optimization and big data. As a result, during one day, 45 students from the school have been working on an algorithm designed to lower fuel costs. This is one example of a successful school relations campaign which opens the door to a long-term partnership with the Ponts et Chaussées school and increases the appeal of air transport sector for young students.

KLM

A tight labor market makes finding new young talent a challenge. In 2018:

- 21 new Young Potentials were hired
- 878 interns were welcomed by KLM and have been given the opportunity to gain valuable work experience and get prepared for the labor market.

The high number of applications for both the Development Programs (1,836) and internships (approximately 1,200) testifies to KLM's attractiveness as an employer. This year KLM ranked among the top 10 of the most popular employers for both IT professionals and technicians, salespeople and people with social studies background.

KLM works intensively together with universities. For example, a Design Doing program is done in cooperation with TU Delft, set for a five year period (until 2021). Its goal is to expand creative capabilities within KLM.

- With this purpose, KLM and TU Delft organize Design Doing-events which are unique because the students get to deal with the operational KLM environment. This means real passengers on a real airport in a real airplane.
- A new master's course named X-lab has been developed for KLM, launched in September 2018. The students of X-lab are being mentored by KLM colleagues from ground services, digital passenger operations, customer experience and digital. Some of the goals achieved are:
 - Designing an implementable solution which would leverage digital technology to improve the turnaround processes and customer service delivery.
 - Setting up a fun cross-divisional training program for operational employees

INTERNATIONAL STAFF

8,510 employees, accounting for 9.6% 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, settled on with unions or other relevant parties, according to local standards.

Several initiatives took place in 2018:

- The Air France-KLM employee experience, called “Our Journey” for local staff of commercial, cargo and E&M, was developed over 2018, and will be implemented worldwide during 2019.
- Initiatives related to E-HR (joint performance appraisal) were aimed at enhancing efficiency
- Talent management and succession planning: supporting international mobility of local staff by introducing a transparent remuneration and benefits package platform (Air France-KLM International Mobility “AKIM” program).

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 for the Group. The social and financial aspects involved have a direct impact on the Group’s business and strategic plan.

Safeguarding employee health and safety in the workplace is a major priority for Air France-KLM and an area in which there can be no compromise. We take a strong-willed and proactive approach to prevent risks and protect the health and safety of our employees.

RISK PREVENTION

As an employer, we have to ensure the prevention of professional risks and the development of quality of life at work of our employees.

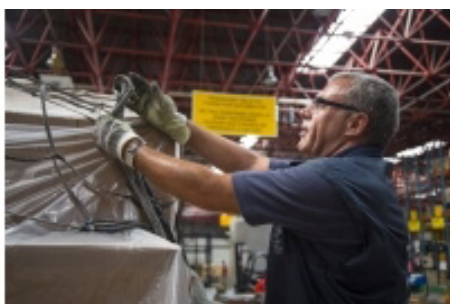
Therefore, reducing risks, occupational illnesses, and workplace accidents are our high priority areas.

In order to reach our goal and reduce the number of workplace incidents to an absolute minimum, we focus on a global approach to all health-related matters, which enables us to pursue a more concrete and efficient policy. We will increasingly invest in preventative measures to improve working conditions and promote healthy lifestyles for our employees.

Being vigilant and taking action are now more of a priority than ever. The involvement of managers on the ground 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 to customer satisfaction
- Consolidating our management system: continuous improvement-based approach to Health and Safety in the Workplace.



RESULTS AND OBJECTIVES

Air France

The occupational health and safety management system is carried out through a voluntary policy. It is OHSAS 18001 certified.



- 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 entity. The health and safety at work objectives are applied at all levels of the company. A dashboard details the annual results of each entity.

- The inclusion of the occupational safety dimension in project management, the development of ergonomic approaches during the design/organization of infrastructures and processes, and during the deployment of new tools, all enable the potential risks to be anticipated and encourage collective participation.
- The reporting process on occupational health and safety has been consolidated, enabling feedback on significant safety-related incidents and their handling to be shared. Regular in-depth analyses, realized internally or with external partners, pinpoint the trends and risks and thus supplement the accident-prevention system. Voluntary feedback is encouraged since this is a key factor in prevention.

2018 saw a reduction both in the severity rate and in the frequency rate of vocational accidents. This result is partly achieved thanks to deployment of numerous prevention and communication initiatives across all divisions.

Working safely is a sum of knowledge, techniques and behaviors. The “Health and Safety at Work” awareness campaigns focus on the third component, which is strengthening the safety culture. In order to improve employees’ attitudes and behaviors towards risks, Air France is increasingly developing video support, and in particular awareness campaigns that feature direct testimonies of injured employees. These testimonies allow us to confront our attitudes, our values and our behavior in the risks prevention.

MAIN TYPES OF ACCIDENTS AT WORK AT AIR FRANCE IN 2018



29%

Physical constraints,
musculoskeletal
disorders



24%

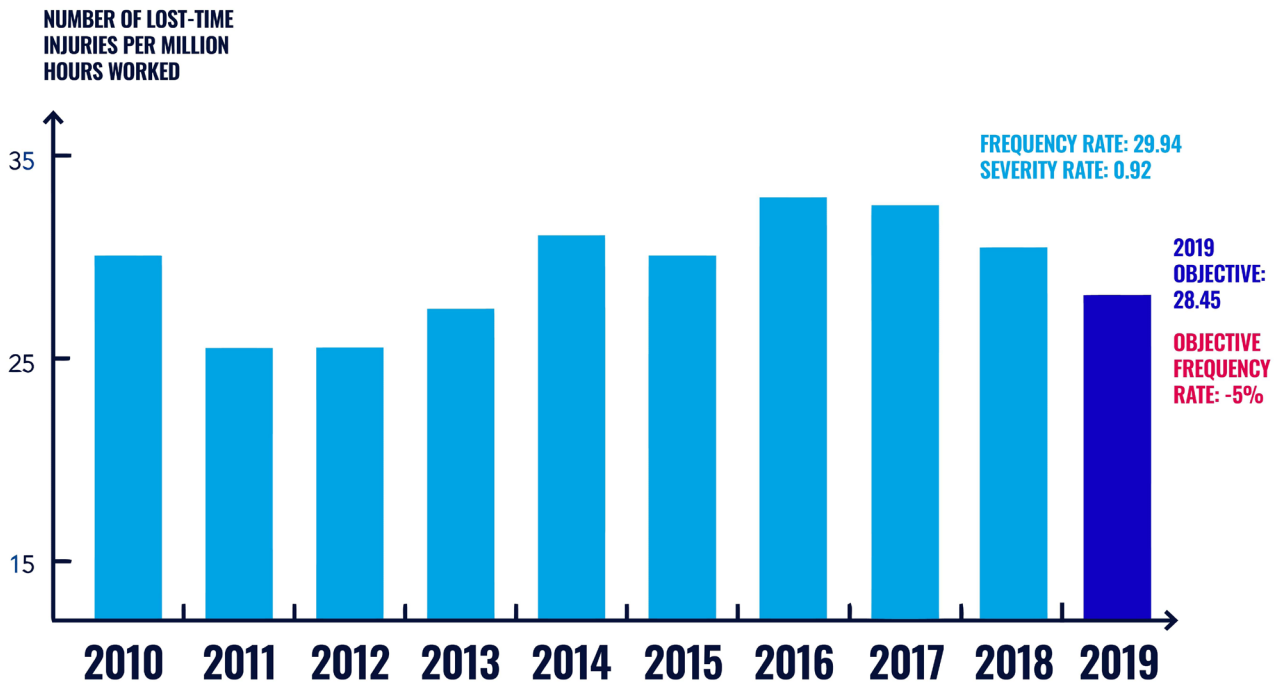
Barometric otitis



21%

Floor-level falls

GLOBAL FREQUENCY RATE, AIR FRANCE



KLM

Safety and compliance are managed via a system of processes and procedures known as the Integrated Safety Management System (ISMS).

- The ISMS ensures a continuous improvement in operational, occupational and environmental safety, and operational security.
- The ISMS identifies hazards, threats and safety issues, collects and analyses data, assesses safety risks, implements mitigation measures and monitors the results.
- The ISMS supports the pro-active and even predictive mitigation of risks in order to keep accident and incident rates below an acceptable level.

In 2018, eight serious occupational accidents were recorded. These were accidents like slipping, tripping and collisions with operational vehicles. Some of these accidents resulted in employee absenteeism. All eight incidents were investigated by the KLM Integrated Safety Services Organization- ISSO, a central independent organization reporting directly to the COO.

MAIN TYPES OF ACCIDENTS AT WORK AT KLM IN 2018



23%

Bumping into or being hit by an object



17%

Slips and trips

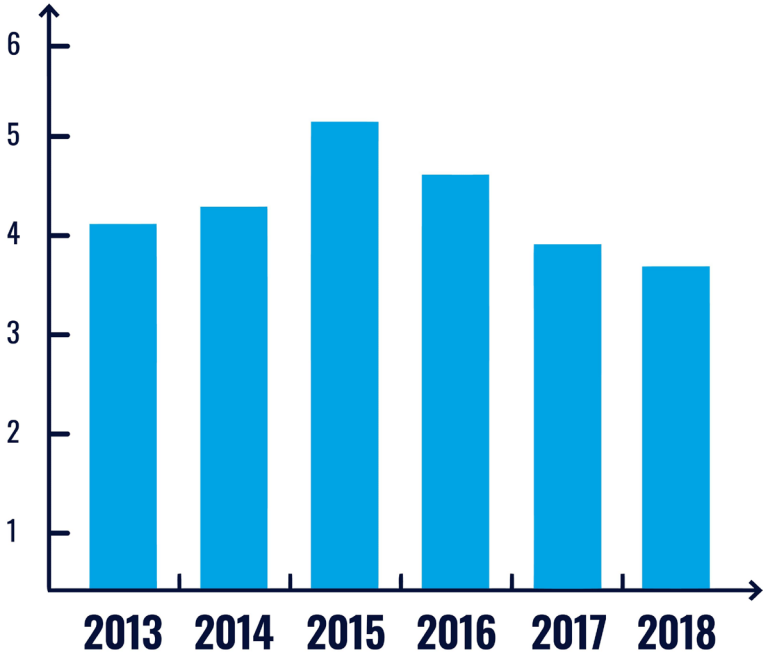


15%

Burning in contact with heated liquids/objects

GLOBAL FREQUENCY RATE, KLM

NUMBER OF LOST-TIME INJURIES PER MILLION HOURS WORKED



QUALITY OF LIFE IN THE WORK PLACE

In the field of air transport industry, constant adaptation and innovation are requirements that concern all parties involved. To respond to this imperative of organizational agility, the Group is committed to improving its working conditions.

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.

Air France

We have undertaken to develop the Quality of Life in the Workplace, supported by a network of Quality of Life in the Workplace advisors, who have benefited from qualification-based training.

- New company agreements were signed in 2018 on quality of life in the workplace.
- Multiple initiatives are in place, aimed at creating conditions for employees that can ensure better balance between their personal and professional lives, that allow assistance for staff who are carers for family members, and that facilitate remote working.
- Both operational staff and executives are trained in preventing the risks associated with each profession; this training is also a good way to encourage the circulation of best practices.
- Regular forums and seminars on vocational health and safety enable issues to be discussed and the in-field realities to be shared with a view to prevention, mobilization and the promotion of a safety-first culture.

The Workplace Harassment Prevention Charter includes a counseling unit and dispute resolution processes for people who feel themselves to be victims of workplace harassment (whether psychological or physical), 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..

KLM

In 2018, a structured process for updating and developing policies was introduced to revise and implement KLM’s Occupational Safety and Health policy. In accordance with KLM’s goals for 2018, new Occupational Safety policies were drawn (for example, regarding control of physical load, appointment of Prevention officers in all business units). These policies are now in the process of being approved by the Safety Review Board and will be agreed upon by the KLM Works Council.

- A very inspiring example of improving Quality of Life in the workplace is “The Golden Bay”, a workplace at KLM Cargo where employees are able to work comfortably at their own pace.
- For Flight Deck and Cabin Crew members an e-learning module on “Fatigue” was published and is still in progress.

- Sustainable employability of KLM employees is being promoted.
- Involvement in the design and furnishing of the new ICA Lounge taking into account workspace, passenger safety, light, sound, ambiance.
- Involvement in the design and furnishing of the new Training Center taking into account workspace, passenger safety, light, sound, ambiance.

Following the successful introduction campaign for the revised Safety & Security Policy Statement and the Safety Review Board-endorsed approach on the results of the 2017 Safety Culture Questionnaire, 2018 kicked off with four major KLM-wide Safety & Security Themes:

- Challenge each other
- Be Fit: A program to promote a healthy way of life and working environment
- Reporting: “See it Say it” Campaign. A first trial of a Safety reporting App which is easily accessible on all devices to support KLM staff
- Just Culture: Development of a “Just Culture Toolbox” for training and inspiration purposes

HEALTH: AWARENESS AND PROTECTION

Our health services look after the employees’ health and advise them on current and emerging occupational risks. The measures implemented provide an integral framework for the organisation of work, and should optimally contribute to their health and employability, which further has an impact on the Group’s productivity and operations.

Air France

30 vocational physicians and 60 nurses ensure the clinical and psychological screening of the company’s employees, give advice on healthy lifestyles and the prevention of vocational risks, and provide emergency medical care. Their instructions were dispensed both individually and during group information sessions and awareness-raising initiatives within the framework of forums, informative campaigns and during 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 2018, employees could make a donation to the Sidaction association that fights against AIDS.

KLM

KLM continuously invests in prevention to improve working conditions and to promote a healthy lifestyle for its employees. New initiatives were launched in 2018, their goal being to provide an integral framework for the KLM organization and employees in order to optimally contribute to their health and employability.

Some new initiatives are:

- lifestyle programs (losing weight)
- physical resilience (Hello Fysio)
- My Health Portal
- the program known as “KLM 100 years and beyond veilig en gezond (safe and sound)” has been endorsed.

KLM is reviewing and updating the company policy with regards to health in close cooperation with the relevant stakeholders, including the Works Council. This is to ensure that the company’s policy is kept up to date. KLM is also working on the development of a Health Portal that employees could access digitally and thus be able to use preventive as well as curative Health interventions. This in accordance with employee behavior as outlined in the KLM Compass and sustainably high performance.

DIVERSITY AND INCLUSION

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

We pursue our policy of promoting and raising awareness of diversity and the need to combat discrimination. We continue to support all forms of action to encourage equal opportunity, equality between men and women, vocational integration of young people, employment of seniors and the transmission of knowledge and skills, as well as maintained employment and recruitment of persons with disabilities.

The commitment to fostering equal opportunity applies to all recruitment and internal selection processes, as well as to professional development.

- At Air France, this commitment is part of the annual target-based contracts that are signed between the division's Executive Vice-President and the CEO, within the Integrated Management System whose monitoring takes place twice a year. The same system is used for the setting of collective and individual targets. Results and action plans are monitored on a regular basis.
 - In 2018, KLM implemented the Diversity Circle which includes Board members that are meant to lead the way in the realization of the diversity objectives. Diversity and inclusion themes are also present in internal communication, recruitment and team composition.
-

GENDER EQUALITY

The Group has long been committed to gender diversity and equality between women and men. Aware of our role, we are committed to promoting professional equality within our teams, and strive to boost a positive dynamic in the areas where we operate.

Gender diversity within teams ensures a better balance on the individual level and has a positive effect on the performance of the organizations. More inclusive businesses are known to attract more talent, be more customer driven, have higher levels of employee satisfaction, make better decisions and be more innovative and creative.

In 2018, we monitored a new key performance indicator at Air France-KLM: “% of women in managerial positions”:

- Women represent 32% in the top 10% management level positions for ground staff,
- Women represent 5% of flight deck crew managerial functions,
- Women represent 65% of cabin crew managerial functions.

Air France

Professional and wage gender equality between women and men is a major business priority and an area in which the company would like to make progress in terms of human resources management:

- In 2018, this undertaking was reflected in the signing of a fifth Agreement on Professional Equality between Women and Men, with the unions.
- To ensure equal treatment, a series of male-female comparative indicators are tracked annually within the framework of an audit carried out within each division of the company (training, careers, vocational safety, remuneration). Special wage equalization and equitable salary management measures are in place, together with an annual audit of male and female comparative remuneration.
- Air France published its index on professional equality between women and men (March 2019). With the score of 89/100, Air France clearly exceeds the minimum threshold of 75/100 set by the government. This result reflects the commitment and work carried out by all Air France teams to achieve professional equality and is an encouragement to continue with their efforts in that direction.

Feminization of the profession is a fundamental axis of professional equality:

- Promotion of women's access to all business activities
- Support to women's access to the highest levels of responsibility, through mentoring and coaching actions to promote their professional development.
- Air France's women's network: Created in March 2018, the Women for Tomorrow (WoTo) was born out of the ambition of several women in the company to create a place of exchange, with meetings, debates and workshops in order to further promote presence of women in the company and reinforce diversity within Air France.
- Air France is a member of the "Elles Bougent" external network, composed of female business mentors who encourage young girls to join engineering or technical professions.



To promote inclusivity within the company and put an end to everyday sexism in the workplace, several actions have been taken:

- An internal campaign “#Osonsledire” (#Let’ssayit) encouraged the employees to speak up and share the sexist remarks heard on daily basis.
- Air France is a signatory of the Diversity Charter and is a member of 30 leading French companies under the #StOpE initiative, supported by the French government.

KLM

At KLM, an integral plan based on best practices in the corporate world and connected to KLM’s growth ambitions, was drawn up by the D&I Kick Start Team. The Board of Directors fully supports this plan and has given a mandate to find ways to promote gender diversity. A Diversity Circle, consisting of both Executive Committee and Women on Board members has taken the responsibility for executing this plan.

From 2019 onward, KLM Flight Plan 2019 sets a target for 16% of women at “Top management” level, 26% of women at “Senior management” level, and 31% of women at “Junior management” level.

This means coordinated action is needed across a range of fields, from talent management and leadership development, to coaching, sponsorship and mentoring. This will create a strong talent pipeline for women in managerial and executive positions.

Women on Board, the KLM network for female employees, was set up with three goals in mind:

- to encourage concrete steps towards gender diversity,
- to connect and inspire women from different divisions,
- to encourage personal development.

Women on Board organizes events, featuring speakers and workshops. The events themselves have been diverse and inspiring.

WOMEN IN THE GROUP (%)

| | | | |
|--|----------------|------------|--------------|
| BOARD OF DIRECTORS AIR FRANCE-KLM | | | 41.2% |
| EXECUTIVE COMMITTEES | Air France-KLM | | 27.3% |
| | Air France | | 28.6% |
| | KLM | | 13.9% |
| SENIOR MANAGERS / EXECUTIVES | Air France | | 34.0% |
| | KLM | | 24.2% |
| GROUND STAFF MANAGERIAL | Air France | | 35.1% |
| | KLM | | 29.3% |
| FLIGHT CREW MANAGERIAL | Air France | Cabin crew | 51.6% |
| | | Pilots | 4.8% |
| | KLM | Cabin crew | 70.4% |
| | | Pilots | 3.8% |
| GROUND STAFF NON MANAGERIAL | Air France | | 41.7% |
| | KLM | | 28.7% |
| FLIGHT CREW NON MANAGERIAL | Air France | Cabin crew | 66.4% |
| | | Pilots | 8.0% |
| | KLM | Cabin crew | 86.5% |
| | | Pilots | 6.7% |

DISABLED PEOPLE

We have a proactive approach to helping people with disabilities into work. In 2018, the Group employed 2,992 people with disabilities, which represents a 5% rise compared to 2017.

Air France implements the provisions of the 2018-20 agreement on the employment and retention of persons with disabilities. In 2018:

- The share of employees with disabilities within the total workforce continued to grow to 6.68%. The objective is to exceed, in the long-term, the legal threshold of 6% for the employment rate of people with disabilities, integrating direct employment and purchases from the sheltered sector.
- With over 200 actions taken, employees with disabilities were aided in retaining their jobs through support and adaptation initiatives.
- 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. KLM offers protection from layoffs to employees whose disabilities render them incapable of work and who are within five years of the legal retirement age.

Thanks to the dedicated support of KLM's Reintegration officers and a better program with various providers for a better match on the external labor market, KLM has been increasingly successful in finding alternative employment inside and outside KLM for people who have been unable to return to their original jobs due to disability.

In addition, KLM has continued its work on Inclusive Aviation, a program initiated in 2015 with Schiphol Airport and 35 other companies in the wider Schiphol community. The program aims to create more sustainable jobs for people with work limitations, such as illness or disability. As part of this Inclusive Aviation Program, this year KLM introduced a dedicated job coach to raise awareness and streamline processes within KLM. In this way KLM continues to show its commitment to the vocational integration of disabled persons. The Inclusive Aviation Program is targeting the recruitment of more than 100 individuals in total by mid-2019.

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.

Air France

The company supports Personn'ailes, a network of the company's LGBT and Gay Friendly staff. It financed the association's float at the Paris Pride March in June 2018. Parallel to this event, a photo exhibition was organized, honoring employees through ten artistic portraits and, for the first time, giving visibility to the LGBT Air France staff.

In addition, Air France is involved in the fight against AIDS and participates, through the "Red Ribbon" initiative, in the World AIDS Day which takes place every year on December 1st. Staff are encouraged to wear the red ribbon pin on their uniforms. In 2018, on this day, employees had the opportunity to make donations for the fight against AIDS, all of which were donated to the association Sidaction.

These commitments demonstrate Air France's attention to a policy of inclusion, both internally and in relation to their customers.

KLM

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.

On October 11th 2018, KLM took part in Coming Out Day to underline the importance of diversity and the inclusion of LGBT colleagues. KLM expressed its support by raising a rainbow flag at several offices. Alongside this event, a meeting was organized by the Over the Rainbow network, with around sixty attendees, among them KLM's Chief Executive Officer Pieter Elbers and Aart Slagt, Executive HR Vice-President. This interactive session provided insight into what KLM needs to work on in order to create an optimal working climate for everyone. The importance of diverse teams and an atmosphere and culture where everyone can be themselves is high up on the management's agenda. This initiative saw the emergence of numerous ideas to give diversity and inclusion at KLM more substance.

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 actions were pursued in 2018. Here are some examples:

- Within the framework of the #Motivation undertaking, Air France encouraged the development of community culture within the teams by gradually transforming working and common spaces, proposing new digital tools and developing mobile applications that facilitate access to online training. Employees increasingly acted on their own initiative by developing their own ideas and projects. A feedback culture was also developed with "short feedback loops" between managers and their teams.
- #TeamSpirit was reflected in the creation of Digital Champions network, employees who can provide support for their colleagues in the company's digital transformation.

- In January 2018, the #SocialResponsibility commitment was achieved with the first Citizen Solidarity Day organized by Air France. For one day, during their working time, 1,000 employees were able to join forces with different associations. For the second edition in March 2019 2,000 employees could choose to take part in one of 86 assignments set up jointly with 60 partner associations working in the following fields: supporting children in need, education, training, employment, disability and health, fight against insecurity, environment and inter-generational sharing. This initiative provides 14,000 hours of volunteer work.



Winning Way of Working (WWoW) at KLM

KLM seeks to create an optimal working climate, enabling the company to:

- strengthen communication on KLM purpose, the KLM Compass and the Customer Experience
- help employees reach their full 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

The Winning Way of Working is the way in which KLM facilitates employees to contribute to the company's ambition of becoming the most customer-centric, innovative and efficient European network carrier. KLM believes it is important to be able to get the best out of ourselves every day.

The KLM vision is explained in the WWoW Design Guide. In 2017, KLM developed this concept and created the Design Guide 2.0. In 2018, KLM updated the Design Guide to version 2.1 which gives insight in the experiences gathered up to now. 3 integral principles stand out:

- a healthy, safe and inspiring working environment
- presence of supportive services (HR, IT, facilities)

- creation of an optimal work climate for employees (in line with the KLM Compass): a one in which employees feel appreciated, encouraged and empowered to perform optimally.

KLM is also working on developing a toolkit that would enable the introduction of standardized approach that both foresees and defines all the processes used.

In 2018, KLM started to renovate several KLM buildings according to the Guide of the WWoW concept: two buildings (Ground Services at Schiphol- Center and Component Services at Schiphol- East) are in development.

This is the Winning Way of Working: a KLM working environment and climate with which we want to touch the hearts of employees and customers



STIMULATING 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.

Employee training programs continue to be implemented to develop teams’ skills 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”.

- 253 managerial cabin crew benefited from a day of training on coaching management style.
- A new leadership development training was designed and deployed for 3,600 cabin crew managers. Its goal is to develop team spirit, to identify the levers of motivation for managers and their teams, and to encourage individual initiative.
- 600 hub managers attended the training courses which were already implemented in 2017

for crew members and direct sales managers, to give new impetus to the caring attitude. The goal was to get to know each other better as managers and to find their own ways to integrate and apply the caring attitude within their teams.

- A digital learning platform dedicated to customer culture has been made available to all employees. This platform allows everyone to access content so as to make sense of the approach, develop skills, prompt the caring attitude and get inspired.

“Empowerment” budgets were extended to support initiatives taken for customers – a true change in commitment for employees and a pleasant experience for customers.

Cabin crews now have at their disposal a range of gifts (developed with the Air France Foundation) which can help them connect with the customer in a special way, when the situation presents itself. After the flight, they can also access a platform allowing them to choose and send a gift to the customer’s home address.

For ground staff, the possibilities of offering commercial services, have been automated on their digital tablets, to encourage and support their proactivity.

The symmetry of attention is at the heart of the caring attitude approach. To accompany the action plan around the employee experience, managerial seminars were organized with the Cargo and the France commercial division to co-build managerial rituals that would strengthen the in-house caring attitude.

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: more than 40 internal conferences were organized in 2018, whose subjects addressed current CSR themes such as innovation, new management, circular economy, and sustainable tourism.



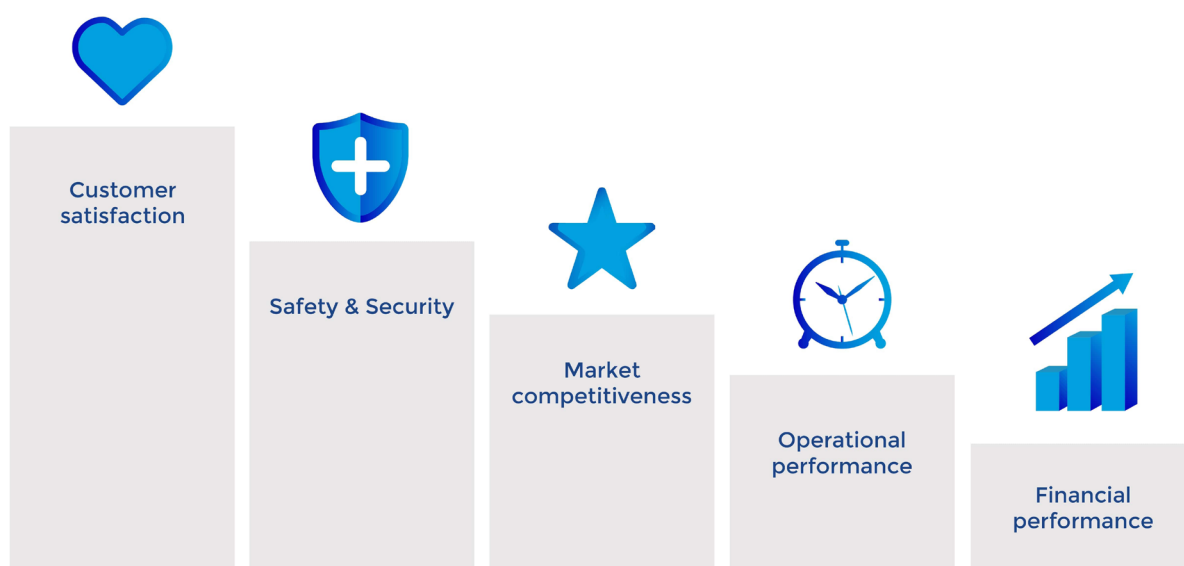
- Meetings on various CSR themes regularly organized at Air France and KLM, notably during Sustainable Development Week.
- Internal forums on the subject of environment.

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. In 2019, the Group will conduct a new materiality analysis.

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

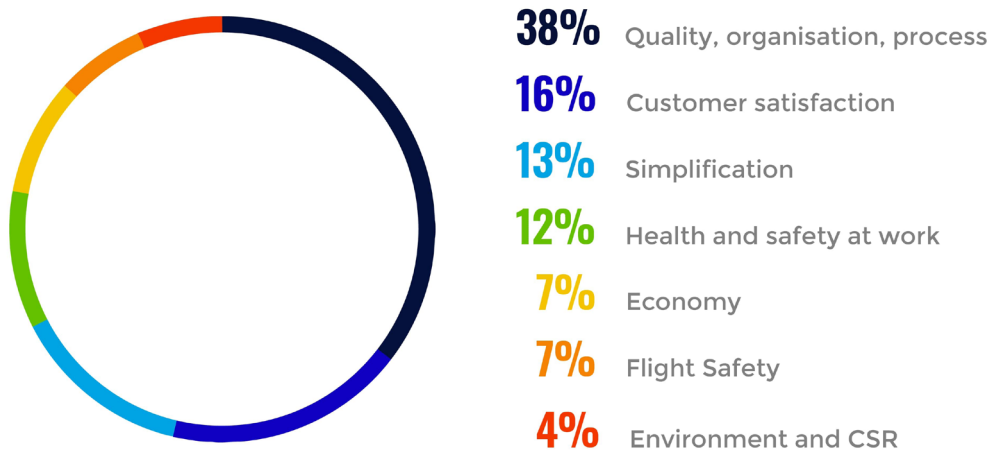
Developing Innovation Program (DIP) at Air France is a system allowing everyone to introduce changes to the company. The program has existed for 25 years. Any staff member can suggest an innovation or an idea on how to improve a process in their area of activity and become an agent of innovation. The DIP program continues to develop, with the aim of covering 100% of the company, thus contributing positively to the company's performance. The best ideas by category are awarded each year.



The many ideas proposed in 2018 reflect the Group's strategic priorities:

- The top three topics (with most proposed ideas) are: quality management, customer satisfaction and simplification.
- Ideas about occupational health and safety (4th topic with the most ideas) are crucial for risk prevention purposes.

DIP IDEAS PER TOPICS 2018



In 2018, a project introducing major change in participatory innovation approach was initiated with the implementation of the “New DIP” support tool.

- Tested at the end of 2018 with excellent results, New DIP will be launched throughout the company in 2019. This tool is intended to be simpler, more practical and more effective, at the level of the best digital platforms for this type of approach.



The DIP “Supporting the fight against waste” proved to be a great success, with 386 ideas rapidly sent in, confirming 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. Implemented in 2018, the “One Click for the Planet” operation resulted in the reduction of 22 tons of CO₂, equivalent to 22 Paris-New York return trips for one passenger.

This idea has been implemented in the international offices of Air France-KLM, and will be renewed in 2019.

The Digital Factory

In September 2018, Air France inaugurated its Digital Factory dedicated to innovation. Installed in front of Air France headquarters, this space has a dual mission: the digital acculturation of all employees and the incubation of innovative projects – an initiative that is part of Air France’s digital strategy.

The ambition is to make Air France simpler, more digital and more innovative. Digital is a great opportunity to go further and boost the quality of our service relationship.

- The ground floor is open to all: creativity room, “Protolab” prototype room where innovations can be tested (voice assistance, robots ...), showroom and forum space dedicated to conferences and events.
- The first floor is reserved for incubation projects and hosts projects that are being developed. The permanent team brings together some fifteen people from IT, digital, marketing or trade professions.
- A dozen projects have already been launched. The time dedicated to each of them is 3 to 4 months. The goal is to go fast and deploy solutions quickly. The first project to come into existence is a B2B customer portal for aeronautical maintenance.



2 examples of projects being developed:

- The Turn Around 360° project aims to improve the punctuality of flights thanks to the real-time information sharing between all the staff involved in the aircraft turnaround.
- The LEA Loop project will provide information on the occurrence of a hazard to all concerned actors, both on the ground and in flight, in real time via an internal application. Its objective is better support for travelers and improvement of the customer experience.

In total, the team will support about fifteen projects for 2019, dealing with artificial intelligence, big data and virtual reality.

Boost the Future!

After the launch of AF Angels, the Air France's internal crowdfunding platform, the intrapreneurial system continues its development with the new "Boost the Future!" program.

This program has the same basic principles as AF Angels (intrapreneurial project ideas put forward by employees, collective decisions on their selection) but focuses on ideas creating new businesses for Air France.

The employees already registered on the Boost the Future! platform can share their know-how and experience, join or build a team, submit an idea and build a business plan with the help of a coach. The selected projects then go into the incubation phase, within Air France.

In 2018, with Boost the Future:

- 2,200 intrapreneurs signed up to the platform to submit or follow a project,
- 120 projects were submitted,
- 4 projects selected for the incubation phase at the Digital Factory, each project being supported by a member of the Executive Committee.

KLM Innovation Awards

A Pioneer Fair was held in February 2018 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 initiatives, nominated by KLM Staff members. The purpose of the event was to give employees a memorable experience, to connect employees and to encourage engagement.

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.

Team Development Program of KLM

In 2017, the Team Development Program was set up, at all company levels, to help new teams improve performance by breaking existing patterns, and to create a context for continuous learning. Common team goals and objectives were identified and defined. Those goals are aligned with the goals and ambitions of the KLM Compass and KLM. At the end of 2018, over 580 teams and more than 8,000 KLM employees had participated in this program.

IN DETAIL CUSTOMER TRUST

CUSTOMER DIALOGUE

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 uses benchmarking and 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-cr ation

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

- Air France carried out several customer tests on longhaul 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 co-creation programs. For example, they contributed to the design of the new survival kit distributed by KLM in case of an emergency.
- In order to reinforce customer proximity, the Traveler Lab' community enabled, for example, the testing and further development of the "Louis" chatbot, a virtual baggage assistant, as well as the customer questioning about a downtown luggage check-in service, or about   la carte menus.
- Air France also relies on its Customer Club for online surveys and workshops. In 2018, 17 workshops that brought together clients and staff around several themes were held: trade shows, digital services, irregularity management etc. A special day was organized with around twenty Chinese customers aimed at coming to a better understanding of the specific expectations of this clientele.

Customer analysis

We carry out qualitative and quantitative surveys, inflight trials and focus groups to ensure that our current and prospective 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 existing 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 help Air France in their revision of the Business Class catering offer. We also asked for customer insight regarding the reorganization of KLM Airbus A330 Economy Class cabin.

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 customer reference indicator at Air France-KLM. The NPS is now used as a company-wide target, and overviews and monitoring tools have been developed to report the daily NPS score. It can be viewed by everyone online throughout the company on TV-screens. KLM has achieved its best NPS since the start in 2014. In October 2018, the average score was 45.

In 2018, Air France extended the "inflight customer feedback" to all long-haul flights, enabling customers to give the company an immediate feedback just after landing.

Benchmarking

Market research and industry-wide studies (such as brand awareness' measure Airscore done by IATA) 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

With the "Quality Observer" program, 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 program. Its goal is to safeguard a consistent product and service delivery around the world, based on more than 60,000 quality assessments performed annually. The results are included in a reporting tool that is available to different internal stakeholders.

The eSCORE online program 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. Nearly 1 million responses a year are received and analyzed to constantly improve and customize products and services.

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

To further improve the customer experience when responding to these satisfaction questionnaires, the Air France KLM Group launched a project that will lead to eSCORE and Quality Observer's replacement in 2019. This new, more flexible platform aims to integrate other tools for measuring customer satisfaction before and after the flight.

SOCIAL MEDIA

Over 37 million users of Air France and KLM social media pages

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

Three Air France social media teams (social brand, social commerce, social servicing), with 150 advisers in more than 100 countries daily support 4000 interactions, 24/7, in French and English and seven other languages.

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 our Customer Relations. Synergizing the digital and human elements enables Air France-KLM to offer a quality caring relationship.

At Air France, the “Caring Attitude” is the governing principle of our service personalization actions, both through digitalization (website, apps, and social networks) and through staff actions. Some examples in 2018:

- A “complete customer account record” allows front-line and customer-related personnel to see the customer profile and their travel experience.
- 25,000 front-line staff, both ground and flight crew, have tablets on which they use the “Customer Continuity” system. 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 personalized approach or by suggesting an action which will make a difference: another seat onboard, a sign of appreciation, a surprise for a customer’s honeymoon, birthday or a home return flight, etc.



- An “inflight customer feedback” is in place on all long-haul flights, and will be extended to medium-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. Asking immediate feedback from customers has since become widespread everywhere in the company.
- For international customers, at Paris-Charles de Gaulle’s airport, multicultural teams are responsible for monitoring flights, taking into account the particularities and expectations of the clientele. Before the flight, Air France Play allows you to download a selection of international press and music. On board, many world music and movies are available. More than 1,500 hostesses and stewards are trained in international standards and the specific expectations of customers in their language and with respect to their cultural codes. On many of these lines, dishes that match the preferences of specific travelers are offered.
- The cooperative approach was further developed with the Customer Club. 20 workshops with customers and employees were organized around the theme of Customer Experience.

- For the fourth year in a row, Air France was awarded the “Podium de la Relation Client” prize. 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 and the steady efforts of Air France focused on the criteria related to the personalization of the customer experience.

Air France and KLM share a common ambition to make a difference by being close to their customers. For the jointly working international teams, a common language that connects the mottos of the two brands – Air France’s “caring relationship” and KLM’s “Moving your world” – has been defined. This shared vision of service has been established around 4 service attitudes and 5 customer experiences under the heading “We care for our customers”.

Among KLM’s initiatives to create ‘memorable experiences’ for their customers is the 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.

On Air France flights, in the frame of Gifts for Care, crew members can please, surprise and move a particular passenger, offering onboard a personalized gift.

The gifts are from the sustainable economy, and made by organisations supported by the Air France corporate foundation.

INVOLVING CUSTOMERS IN OUR SUSTAINABILITY 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 sustainability initiatives both online and offline.



Air France-KLM kept its place on the 2018 Fortune's list of the World's Most Admired Companies, ranking fourth 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 presented in the visual.



SAFETY

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

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

With some 85 million meals and snacks served every year to our customers and flight crews, food safety is a major commitment of our companies.

FLIGHT SAFETY

All of our activities are subject to numerous audits and certification processes, in particular those of International Air Transport Association (IATA), whose IOSA Operational Safety Audit is a benchmark within the industry. The IOSA audits for the Air France and KLM certification renewal were carried out at the end of 2018.

To achieve the highest attainable standard of flight safety, each airline continuously updates and reinforces their respective Safety Management Systems (SMS) which define the measures to be put in place to manage aviation risks.

Vocational training is primarily focused on the required safety knowledge and skills. This includes safety training for pilots, cabin crews, professional training for maintenance and ground staff, and pilot-handling skills training.

Air France's Integrated Management System

More generally, Air France has developed and is pursuing the deployment of an Integrated Management System (IMS), enabling synergies between all the progress-oriented and risk management approaches: Flight Safety, Health and Safety in the Workplace, Customer Service Quality, Operational Performance, Environment and Sustainable Development, Food Safety and Security. In 2016, Air France's Global Certification was confirmed, covering the following international standards: ISO 14001/Environment, ISO 22000/Food Hygiene, OHSAS 18001/Vocational Health & Safety.



The IMS is the steering vector in management of the businesses, aimed at an ongoing improvement in results. It ensures:

- Compliance with the legal, regulatory and standards-based requirements
- Analysis and management of risks within the framework of a coordinated approach.
- Safe functioning, transversal consistency and overall steering oriented towards the ongoing improvement of all the relevant processes in these areas.

IMS Company Performance contracts were used as reference documents for the purpose of management reviews. In 2017, the priority given to control over sub-contractor activities was clearly formalized in these contracts and was supplemented and developed in 2018 to reflect the new legislation.

Annual target-based contracts, signed between the division's Executive Vice-President or Vice-President and the CEO, established safety management (like compliance indicators) and safety performance indicators. Contract monitoring takes place twice a year, and quarterly committee meetings are held in the operational divisions and at corporate level. During these meetings progress made on the action plans and indicators is presented, and further action is decided on.

These targets are also used for the setting of collective and individual objectives.

In 2018, Air France set a goal of developing an even stronger safety-first culture. A number of actions were launched, aimed at:

- Improving the knowledge of the in-field realities through LOSA (Line Operation Safety Audit)-type observation campaigns and expanding the information source input to the risk models (audits, flight analysis, external surveillance, etc.);
- Reinforcing trust between the different players to further encourage engagement through concrete and high-profile management actions to promote safety-first practice;
- Reinforcing inter-company cooperation.

KLM's Integrated Safety Management System

KLM deploys a similar approach to that of Air France.

To reach its objective and become one of the leaders in term of safety, KLM has developed an Integrated Safety Management System (ISMS), covering occupational safety, operational safety and security, and environmental safety. This ISMS is outlined in KLM's Integrated Safety Management Manual (ISMM) and has been approved by the Dutch civil aviation authorities (among others, the Human Environment and Transport Inspectorate (ILT)).

KLM continuously aims to improve its integrated, performance-based safety management system on the basis of the evaluation of risks and results, enabling risk-based decision making at all levels of KLM. Its Safety Culture program, which includes promotion, communication, theoretical and practical training and learning interventions, is continuously updated and used throughout the company to enhance awareness, as well as the attitudes and behaviors relevant to safety at all levels. The establishment of the Integrated Safety Services Organization (ISSO) in October 2016, further professionalized this integrated approach to safety and compliance throughout the company, increased the level of expertise across all domains in the safety and compliance processes, and pushed KLM's ISMS to the next level.

The Corporate Safety Committee within the KLM Board of Directors meets quarterly to analyze the Safety indicators for KLM. The results of an in-flight observation campaign, the LOSA (Line Operations Safety Audit), a practice already used by other airlines in the United States, Asia and Australia, were published at the end of 2017 and are the subject of an action plan which forms an integral part of the ongoing process to improve flight safety.

In 2018, KLM increased its focus on occupational safety hazards by renewing the main occupational safety policies that provide structure for required mitigating action. Also, in 2018, KLM renewed its Environmental Safety ISO 14001 certificate and subsequently started to fulfill the ISO High Level Structure Management System requirements.

Integrate a company-wide awareness

Building a company-wide awareness of safety culture in all the processes and across all the companies of the Group is an ongoing process which is producing positive results.

At Air France, the Safety Attitude program was created in 2018, to be deployed across the company over several years, starting in 2019. This program will underscore the vital importance of human and organizational factors: mobilization of line management, a culture of transparency, respect of procedures and effective training initiatives. Furthermore, an “AirSafe” training program covering the human factors behind errors was established within Air France and deployed in 2018. To the same end, the biannual Flight Safety workshops, a communication initiative attended by 1,200 employees, aim to reinforce the awareness of potential risk situations.

In KLM, to monitor and manage all these complex Safety Management System processes and support the relevant employees, an information system was implemented in 2017. In 2018, the main focus was on “Just Culture” principles. A structured program is being implemented within KLM, involving everyone from top level management to front-line operators.

SECURITY

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

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

FOOD SAFETY

We aim to guarantee food services that are healthy and hazard-free for the consumer. Air France and KLM both deploy quality-control procedures to comply with these requirements. The related regulations are, moreover, increasingly exacting.

Risk control relating to food safety is managed by a centralized department at Air France. The management system is based on four processes. One is transversal and applies to all divisions: regulatory intelligence, risk analysis and defining of the measures to control these risks, employee training in best hygiene practices, establishment and updating of the reference standards, monitoring of the action plans, etc. The three other processes are operational and their specifications depend on the type of activity: on-board services, water on board and services in the lounges.

The processes are deployed across all the relevant business lines in which food security reference frameworks enable the circulation of information. These reference frameworks ensure the application of the measures within their individual business lines and report back on the functioning and effectiveness of the measures relating to Food Safety together with the related action plans.

Partnerships with food suppliers are established following very strict specifications and remain subject to close monitoring. Some hundred hygiene audits of world-wide caterers and around 15,000 in-house microbiological inspections are carried out every year to monitor food supplies, together with between 400 and 500 annual analyses of water for a total volume of 19,000 tons of water embarked on departures from Paris.

In 2006, Air France became the first airline in the world to attain the ISO 22000 certification. An annual audit carried out by an external body verifies that the management system complies with the standard and with regulatory requirements. Based on a three-year plan, internal audits are also carried out across all the relevant business lines

A series of key indicators, one per operational process, form part of a monthly overview presented to the Executive Committee. Any malfunctioning flagged, notably by flight crews or customers, is examined in order to implement remedial and/or preventive measures. Throughout the year, numerous meetings of in-house steering bodies are held, enabling the monitoring of current events in this area. These bodies also track performance via indicators and defined action plans, with a view to ensuring a continuous improvement.

DATA PRIVACY AND DATA PROTECTION

DATA AND IT SYSTEMS PROTECTION

IT is at the heart of all our activities: passenger booking, flight schedule management, baggage checking, ticket prices, aircraft maintenance, and crew information.

Privacy and data protection constitute a major economic and professional challenge for the business and for customer trust.

Air France-KLM manages its cybersecurity risks with the national authorities and cooperates with the appropriate European Agencies (EASA, ENISA). The group also takes part in the cybersecurity workshops of the main air transportation professional associations (IATA, A4E, GIFAS) and contributes to research with associations specialized in cybersecurity (CLUSIF, CESIN, CIGREF, R2GS, European Aviation ISAC).

Thanks to benchmarking and ratings provided by an independent cyber rating agency, Air France-KLM can be viewed in relation to other companies in the air transportation industry. In December 2018, the Group was ranked among the leading large companies. Air France-KLM also uses the expertise of leading consultants on the cybersecurity market and actively cooperates with companies with which its information system is connected.

To offer the best level of protection on the ground and in the air, the Air France-KLM Group has been developing four major cybersecurity programs in recent years:

- A program directed at more efficient cybersecurity measures that would enable Air France to respond to the unfolding cyber threats.
- An awareness-raising program for all staff that was aimed at developing cybersecurity culture and helping Air France-KLM employees to acquire the right behaviors in their digital environment. Moreover, this program also was also directed at mobilising the collective intelligence of each team through an online, easy-to-use thirty-minute module, free of technical language.
- A program that was to ensure regulatory conformity.
- A program to support digital transformation that will provide for a simplified user experience.

An annual presentation on these programs is made to the Executive Committee and to the Audit Committee, guaranteeing sponsorship at the highest level of the company. These programs are supported by Cybersecurity Governance composed of:

- A cybersecurity regulatory framework for ground and on-board IT systems (safety policy based on a series of international ISO 27000 regulations and other standards or regulations concerning the company's business).

- An annual monitoring plan for risks linked to the digital technologies (audits) and testing of the Cyber Crisis mechanism overseen by the Operations Control Center and the Authorities.
 - There are three executive committees that complement each other's tasks. The group's IT Executive Committee evaluates the coherence between the cyber risks and investment in IT. The Cyber Plane Committee chaired by the responsible officer decides on the orientations to be adopted to reduce the potential cyber risks for flights. Lastly, the Safety Performance Committee, chaired by the Head of Safety, evaluates the effective mitigation of generic safety risks and, consequently, cybersecurity.
 - A report on the residual cybersecurity risk in the major operational risks assessment worksheet, managed by the Internal Control Department.
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DATA PRIVACY

In 2018, a new European regulation to protect personal data, the GDPR (General Data Protection Regulation), came into force. It replaced the existing laws in both France and the Netherlands with, on one hand, expanded rights for data subjects and, on the other hand, strengthened accountability and obligations for data controllers, requiring proof of compliance on personal data protection.

As data controllers, Air France and KLM chose to deploy a broad-ranging program to ensure the implementation of the GDPR requirements across all businesses and at every level of the organization. This program led to the creation of more rigorous cybersecurity policies, as well as a strengthened personal data management framework whose design and default principles would ensure privacy compliance.

Governance Board convenes Data Privacy Officers from both Air France and KLM who work in close cooperation with the existing Boards to ensure full operational compliance. The program developed new tools and frameworks within the business processes to manage the GDPR requirements. To ensure precise procedures to guarantee legal compliance, these requirements and the compliance mechanisms were the subject of an in-depth review by external lawyers.

By 2018, the Air France-KLM Group had attained an adequate level of GDPR compliance, the Group's employees and suppliers having succeeded in changing their practices to ensure respect of all the requirements in their day-to-day activities. All the Group's projects and contracts are underpinned by a robust GDPR framework to which the management has committed. The implementation of the overall framework will continue in 2019, incorporating the new guidelines as published by the Data Protection Authorities.

ACCESSIBILITY OF PRODUCTS AND SERVICES

We seek to provide comfortable, convenient, and reliable air travel that is accessible to all of our passengers.

PASSENGERS WITH DISABILITIES OR REDUCED MOBILITY

The number of Passengers with Disabilities or Reduced Mobility (PDRM) flying with us is growing every year. In 2018, more than 1.1 million PDRM passengers were welcomed:

- Air France: nearly 540,000 PDRM passengers on board; more than half of these PDRM passengers flew on long-haul flights and more than 80% PDRM passenger traffic took place at Paris-CDG
- KLM: 596,000 PDRM passengers, a year-on-year increasing number, with the biggest growth shown in the number of wheelchair passengers

PDRMs are welcomed, providing that air travel is not against medical advice.

Their presence on board calls for appropriate assistance which can involve a degree of complexity, often owing to the differences between the EU and US regulations. In the US, the responsibility falls solely on the airline and there are no reporting requirements for US citizens and passengers on flights to/from the US. In the EU, however, it is the airport authority that is responsible for the end-to-end assistance of PDRMs during their journeys through airports, and passengers are invited to report to the airline 48 hours before departure, the airline then being responsible for forwarding this information to the airport authority 36 hours prior to departure.

Air France dedicated assistance service, known as Saphir (*Service d'Assistance aux Personnes Handicapées pour les Informations et la Réservation*), offers an array of services, such as easy booking procedures, airport assistance, baggage assistance and special equipment on board. Based in Nice and Marseilles, with a dozen of dedicated advisors, Saphir received nearly 90,000 calls in 2018: phone and online services enable ticket bookings and the provision of appropriate assistance. A special phone assistance service for the hard of hearing or deaf customers is also offered. Some nineteen other Customer Relations Centers around the world are on hand to process requests from PDRM customers.

Air France has also long been a partner to multiple associations dedicated to disability and has developed strong links with the national and European authorities in this field in order to design and develop service improvements.

At Air France, a Key Customer Club that includes PDRM passengers has been created to collate feedback from this cohort and help improve services. This includes providing a better flow of information, for both customers and frontline staff, in line with Air France's Caring Relationship.

For customer-facing staff, awareness workshops focusing on the appropriate forms of words and actions to use with PDRM customers have been launched, together with online tools to facilitate their care. Both Air France and KLM cabin crews are trained in assisting persons with disabilities in order to make their flights as comfortable and pleasant as possible.

KLM Cares offers assistance in the planning and booking of flights. At the airport and in flight, KLM offers specially-adapted facilities to ensure a seamless travel experience.

The Net Promotor Score, which measures customer satisfaction, is higher in this passenger category than the NPS of other Air France and KLM passengers: for KLM, the score stands 10 points above the one from other passengers.

KIDS SOLO

For children traveling alone, which accounts for more than 300,000 Air France flights every year, we created our Kids Solo service. Our service is available for children aged 4 and older. The average age of our young travellers is 11.



We have developed a tailor-made service on our “Air France” app. On their tablet or smartphone, parents can book tickets for young passengers, access and modify their reservations and also monitor their child’s trip in real time, from check-in to boarding, take-off and landing.

Our staff accompanies the child and ensures his or her comfort and safety at the airport and on board. On “Air France Play”, kids can download free content adapted to their age and language. 8 magazines in French, English, German and Spanish are available 30 hours before the flight.

During stop-overs of more than two and a half 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.

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.

BUILDING THE FUTURE OF TRAVEL

In 2018, the Air France-KLM Group launched the startup studio BigBlank, subsidiary of the Air France-KLM Group, whose mission is to explore all the latest trends in the travel sector. Its field of research goes beyond air travel and delves into mobility, transport or logistics related to travel.

This seed fund, a hybrid organization that draws on the expertise of Air France-KLM, will explore new trends in travel and air transport. BigBlank will help in the creation of companies with innovative projects and high growth potential, supporting 4 to 5 startups per year.

DIGITALISATION

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.

With close to 6.6 million downloads, the Air France app assists customers, helps them personalize their trip and save time thanks to digital innovations that passengers can discover at different stages of their trip: faster check-in with the “Scan passport” pictogram, additional payment methods, real-time airport access indications, multi-transport itinerary with geo-localization, guided airport tour to the boarding gate, and real-time baggage tracking.

The Air France Play entertainment app offers more than 160 French and international press publications, more than 50 videos to watch during their flight, and a selection of music playlists.

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 or 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. Being on Messenger enables Air France and KLM to communicate directly with their customers, especially during activity peaks.

The Group launched 5 chatbots:

- Louis, Lucie and Lea at Air France :
 - Louis (luggage's inquiries and tracking)
 - Lucie (destinations and inspiration),
 - Lea is the latest Air France's. It has been designed to significantly improve the experience of customers affected by an operating irregularity. Available on Messenger in French and English, Lea is accessible via a link sent directly to customers by SMS or email. It gives up-to-date information on the flight and, depending on the irregularity, Lea directly sends them information about the proposed accommodation, flight delay or cancellation certificates and compensation vouchers (meals, accommodation, transport, etc.).
- BB (short for Blue Bot) at KLM
- Laura at Transavia.

The development of this service was an example of co-creation with customers, as they were able to test the different prototypes.

BIOMETRICS, CONNECTIVITY AND BLOCKCHAIN

To ensure a simpler, streamlined and personalized travel experience, we constantly improve every aspect of the customer journey by offering the latest innovation: from the biometric boarding pass to connectivity on board. To reduce waiting time at the airport, Air France is testing the biometric boarding pass solution based on facial recognition at baggage drop-off points and boarding gates, while respecting the use of personal data.

Air France has been gradually equipping its fleet with connectivity solutions to improve customer experience: Air France customers can access Wi-Fi on board the Boeing 787s and Wi-Fi is gradually being installed on board the redesigned Airbus A330s and Boeing 777. The company has been gradually implementing connectivity solutions throughout its medium-haul fleet since the beginning of 2019 and has set a goal to have the entire Air France fleet, excluding regional aircraft, equipped by the end of 2020. The new connectivity service, called Air France CONNECT, gives access to Wi-Fi on our clients's own devices (smartphone, tablet, computer).

Air France launched a dedicated blockchain program in 2018. The blockchain offers multiple opportunities for an airline, with possible applications being invoicing (loyalty program, interline activities), traceability (luggage, spare parts maintenance and Cargo), or smart contracts. A dedicated team of ten IT employees are working on this program and developing pilot projects.

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 program that regroups 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.

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, A 320 and 787 aircraft by 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 tool 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 enhance our innovation network.

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



IN DETAIL

SOCIETAL VALUE

DRIVING THE ECONOMY

The Group's direct and indirect activities contribute to economic development at a national level in France and the Netherlands, and specifically around its Paris and Amsterdam hubs. These hubs offer multiple connections, and form an extensive network that generates an attractive business environment, contributing to the connectivity and the economic and touristic attractiveness of these areas.

NATIONAL AND LOCAL ECONOMY

With more than 90% of the Group's employees based in France and the Netherlands, we are a significant contributor to job creation in the regions where our two hubs are located.

Our activities also generate numerous indirect and induced jobs. More than three quarters of the services subcontracted by Air France-KLM are based in Europe: catering, ground-handling and cleaning, as well as subcontracted services required for the operation of aircraft.

The hubs provide highly attractive business environments while airport proximity generates the development of other activities such as those of hotels and congresses, company show-rooms, commercial and marketing actions, innovative activities and business services.

Air France Group

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

- **more than 350,000 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***
- **93% of Air France employees pay social security contributions in France**, while the company generates more than 50% of its revenues outside the national territory

- **a leading private sector employer in the Paris region** with more than 37,100 employees

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

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, encouraging foreign investment and the setting up of foreign companies in France. The Air France Group 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. They also takes part in the circular economy: one such example is Airfoils Advanced Solutions being set up by AFI KLM E&M in a joint venture with Safran, dedicated to aircraft engine compressor blade repairs. The operational base will be in North-East France, near Valenciennes, and it is scheduled to begin operations in mid-2019. 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 about 200 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 were created or maintained in the regions of Roissy, Orly, PACA, Corsica, French overseas departments and territories, including jobs for people with disabilities, or in the social and solidarity economy. New funds, currently in the process of being implemented, aim to create or maintain 1,901 jobs by 2019.

In 2018, during the French national debate known as Les Assises du Transport Aérien, Air France worked with the public authorities to build the future of air transportation, strengthening competitiveness and defining the French national strategy.

KLM Group

The hub-network of KLM (together with its partners) connects the Netherlands to almost all important economic, political and cultural regions in the world. The operations of the KLM Group also create many direct and indirect jobs in and around Amsterdam Airport Schiphol:

- **Third largest private sector employer in the Netherlands** in 2018 with more than 33,000 of the 65,000 directly-generated jobs in the Schiphol catchment area.

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.

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, 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 working with organizations dedicated to aeronautical maintenance. Over hundred POCs (Proof of Concept) with startups were carried out all over the company and many of them have been turned into commercial contracts. The Group also supports these startups by giving them the opportunity to open up to new markets and by helping them to find the necessary funds for their development, as part of a program created in association with Hokage.

Air France has again demonstrated its commitment to startups, members of the French Tech, by creating a new operation, the “French Tech Takes Off”: from September to October 2018, the company offered its customers to test the innovations of 10 French startups at Terminal 2 E of Roissy-CDG and on a dedicated website.

In 2018, the Air France-KLM Group unveiled the startup studio BigBlank, subsidiary of the Air France-KLM Group, whose mission is to explore all the latest trends in the travel sector and to create companies with innovative projects and high growth potential.

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

- KLM Pioneers is an innovation platform that 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

In 2018, Air France and KLM have transported 6.3 million passengers who were visiting France. We contribute to promoting France and the Netherlands as destinations:

- On board, as on the ground, with services and gastronomy that showcase French products.
- Through Air France advertising campaigns, its in-flight magazine *Air France Magazine*, digital travel guide *Travel by Air France* (with 3.6 million visitors in 2018), 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 and leading joint actions with Atout France, French tourism development agency, of which Air France is a historical partner, and UniFrance, the national organization that promotes French cinema to the rest of the world.
- Through a partnership with the Schneider Electric Marathon de Paris, one of the biggest marathons in the world.
- Through a partnership with the Château de Versailles, and the Escales Culture partnership signed with the French Ministry of Culture to promote some of the lesser-known French cultural heritage sites.
- As official partner of CNOSF (French National Olympic Sports Committee) on the occasion of the Olympic Winter Games of PyeongChang in South Korea in February 2018, and by supporting the Paris bid committee to host the 2024 Olympic Games and Paralympic Games.

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 attract more international visitors. KLM supported the promotion of MICE business in Amsterdam and entered into partnerships with cultural institutions (Frans Hals Museum, Van Gogh Museum, Rijksmuseum, Concertgebouworkest). 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.

SUSTAINABLE PROCUREMENT

As a service company, Air France-KLM's business activity is heavily dependent on procurement which represented €12 billion in 2018. Fuel purchasing amounts to about 37.5% of this expenditure, followed by aircraft maintenance and components, airport and navigation fees and airport handling.

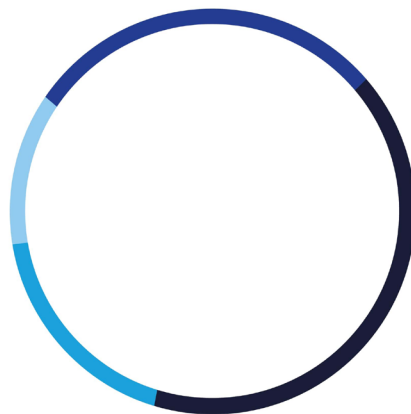
We make significant contributions to regional and national economies, both through our purchases and the trickle-down impact on other sectors.

- **Air France purchases in France:** €2.4 billion, of which more than 614 million euros in French regions
- **KLM purchases in the Netherlands :** €1.1 billion
- **More than 3,900 suppliers worldwide**

ECOVADIS ASSESSMENT RESULTS

355 suppliers

Target 2019 : 405 suppliers



| | |
|------------|----------|
| 34% | Gold |
| 41% | Silver |
| 12% | Bronze |
| 14% | No medal |



3,900

suppliers



67%

of suppliers signed the Sustainable Development Charter
Target 2019: 70%

PURSuing A RESPONSIBLE PROCUREMENT PROCESS

Optimizing, innovating and making the supply chain more sustainable are Air France-KLM priorities which also contribute to improving profitability. For a number of years, our procurement policy has aimed to incorporate Corporate Social Responsibility principles into relations with suppliers by reinforcing control over ethical, social, environmental and supply chain risks.

The procurement process takes place in the following manner:

- Questionnaires are sent to suppliers, addressing a number of themes such as safety, environmental management and HR policy.
- The suppliers either sign the Sustainable Development Charter for suppliers which is based on the principles of the UN Global Compact, or provide their own equivalent document that may be approved upon analysis. Since 2015, this Charter has been supplemented by a Supplier Code of Conduct. Every year, the Group measures the percentage of suppliers who have signed the Sustainable Development Charter. In 2018, this figure reached 67%. The Group has set a target of 70% for 2019.
- Tender documentation, in many cases, list the criteria enabling the evaluation of the environmental impact of the product or service, which are then taken into account during the evaluation of the different supplier proposals. This is an integral part of the assessment of the total cost of ownership and the life cycle analysis.
- The supplier contract includes an ethical and environmental clause based on the relevant products and services.

To supplement the existing process, Procurement works with EcoVadis, a company specialized in the evaluation of suppliers based on Corporate Social Responsibility criteria.

The risk mapping process takes into account the different sectors of procurement and the countries in which the suppliers are based. It takes place at the beginning of the procurement process:

- Buyers must systematically verify the positioning of each supplier in the risk map.
- There are six levels of risk. In the event of a “high” or “severe level” of risk, suppliers are contacted by EcoVadis or an equivalent organization to address the following four themes: environment, social, ethics and sustainable procurement.
- In other cases, suppliers are encouraged to have themselves evaluated. They can then share their scores with other companies, which may prove to be a competitive advantage in terms of winning bids and contracts.
- Following the evaluation, suppliers having failed to reach an acceptable level will need to put in place corrective measures to meet the Procurement requirements. At Air France, these cases are discussed during the quarterly Steering Committee meetings, overseen by the Procurement and CSR departments.

The number of companies whose CSR performance was evaluated by EcoVadis increased by 9% in 2018, from 325 to 355. Furthermore, as part of a continuous improvement process, in 2019, the company's goal is to evaluate 50 additional suppliers. In 2018, 55 "high risk" suppliers flagged by the risk mapping process were evaluated.

EMPOWERING THE BUYERS

Air France-KLM buyers are largely committed to respecting the Group's social responsibility. On their first day in office, they sign a Code of Ethics outlining the ethical rules to be followed when dealing with suppliers. In light of the Anti-Bribery legislation, a Code of Ethics reminder has been sent around to the parties involved. These documents, the Procurement Sustainable Development Charter and the Code of Ethics are available on the Procurement website (www.af-klm.com/procurement), which initiates an ongoing dialogue with our suppliers.

An internal process has been established to develop the buyer's skills through training, seminars, web information on best environmental practices, and an anti-corruption e-learning module. All new procurement staff receive training on the department's CSR commitments, the duty of vigilance and the anti-bribery processes, and on how to use a sustainability scoring tool (EcoVadis). Within Procurement, a constant access to information relating to CSR (news, legislation, events, conferences, webinars, etc.) and the sharing of experience is encouraged. The 2018 Procurement Action Plan, communicated to the entire team, sets out the CSR undertakings as a strategic lever.

MOBILIZING AND INNOVATING WITH SUPPLIERS

The Supplier Relations Management Program (SRM) is aimed at building long-term relationships between Air France-KLM and its strategic suppliers. The program puts issues like Corporate Social Responsibility central to discussions, and seeks to move forward together on these points.

Our suppliers are bona fide partners in mutually-beneficial growth. We support their quest for innovative solutions and analysis of the environmental impact of products. During the drafting of a product specification, the prescriber and buyer work together to identify the environmental and social characteristics, thereby encouraging the supplier not only to develop the environmental performance of its products but also to engage in a wider commitment to sustainability.

Air France launched a new ambitious 2018 Purchase Plan aimed at arriving to more innovative solutions with its suppliers, and especially with small and medium size businesses and startups. Air France entrusts a significant part of its purchases to SMEs, which amounts to 20% of its purchases in France (excluding fees and fuel).

To promote and protect this eco system, Air France is a member of the SME Pact. Every year, an action plan is developed within the context of its relations with SMEs (Mid-caps, startups and VSBs). The actions initiated in 2017 and pursued in 2018 allowed Air France to attain the Excellent rating assigned by the partner committee of the SME Pact. These actions included a reduction of the settlement period, but also the advancement and introduction of innovations, such as the “start-up kit” which enables them to work in a more agile way with startups, and the realization of PoCs (“Proof of Concept” trials).

The KLM fuel purchasing department is very active in the acquisition of Sustainable Aviation Fuel which ensures the daily operation of flights from Los Angeles to Amsterdam which are partly fueled with bio kerosene.

MEASURES IN FAVOR OF RESPONSIBLE CATERING

Serving close to 85 million meals and snacks every year, Air France-KLM implements measures to promote responsible catering.

For its catering procurement, in partnership with its supplier Servair, Air France prioritizes local, seasonal products that are also sustainable, and particularly products sourced from organic agriculture and of certifiable, protected origin (AOP/AOC). For example, children’s meal trays include a number of organic products.

Whenever feasible, KLM chooses products and partners that share the sustainable mission, in order to contribute to the overall objective of attaining the Sustainable Development Goals. The catering policy focuses on environmental preservation in production areas and takes human rights, working conditions and animal welfare into account. It is applied to all flights departing from Amsterdam Schiphol Airport and, where possible, includes responsible products in catering from destinations. For KLM, it is important that the ingredients in meals, such as fish, chocolate, palm oil and soy, are sourced responsibly. To this end, KLM is a member of the Responsible Soy (RTRS) and Sustainable Palm Oil (RSPO) Round Tables and offers certified products on board its aircraft such as MSC-certified fish, “better life” egg and chicken, and UTZ certified coffee.

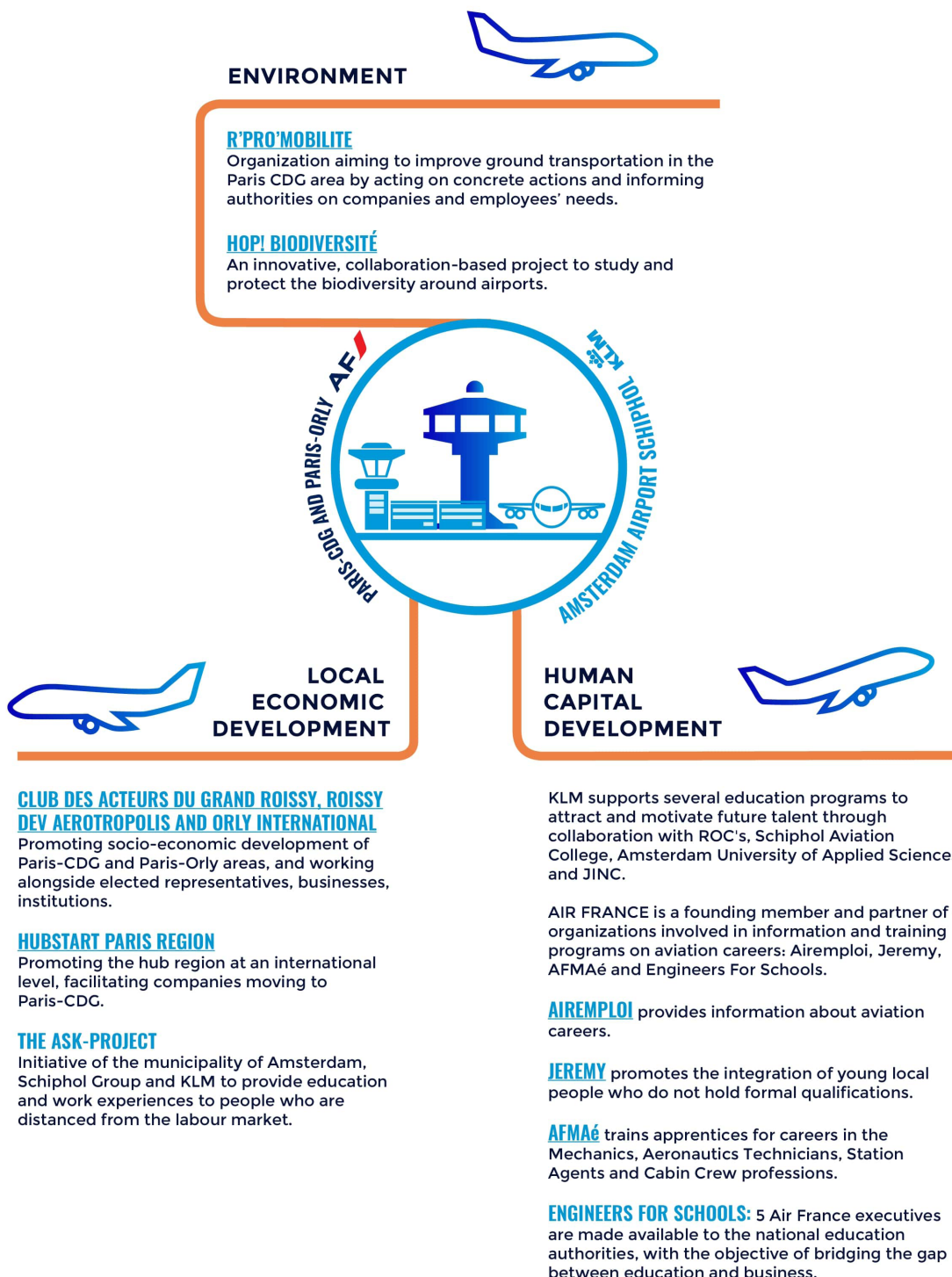
We donate a number of products from in-flight catering not distributed to passengers to charitable associations (see Waste and Circular Economy).

LOCAL DEVELOPMENT

We are involved in various local initiatives to create sustainable development, and social and economic value around our hubs and at our destinations.

LONG TERM COOPERATION AROUND OUR HUBS

Local structural initiatives



In 2018, Air France worked in cooperation with local officials and companies on founding the Club des Acteurs du Grand Roissy. Air France continues to participate in Orly International, with the aim of developing employment and promoting attractiveness of the Paris-Orly area.

Accessibility of airports

The accessibility of airports is an important factor in the development and the attractiveness of the local area surrounding our hubs. In addition to existing mobility solutions (RER, roads), Air France supports the Grand Paris Express Metro rail project 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 2024, 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-CDG, ten leading companies representing nearly 50% of the employees' in the airport area, came together to form the R'PRO'Mobilité organization. At Paris-Orly, Air France has revitalized a PDIE (intercompany travel plan) with other businesses. In partnership with R'PRO'Mobilité, Air France has launched Boogi, a carpooling platform for its employees in Ile-de-France.



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 envisaged to face the growth prospects of air traffic.

Around Amsterdam Airport Schiphol, all developments concerning "Wonen-Vliegen" will be monitored and 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.

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

Knowledge and skills for future generations

Air France and KLM support and contribute to skills development, the vocational integration of young people and the social integration of individuals excluded from the job market. This also includes promoting access to training leading to professions in the airline industry through a number of different associations and educational programs for young people (see visual above).

Air France conducts numerous initiatives to facilitate the access of young people to training and employment, such as *Tous En Stage*, *Nos Quartiers ont du Talent* and *Elles Bougent*, mobilizing more than 150 mentors within the company to support young graduates in their higher education and on their path towards employment.

To facilitate the long-term vocational integration of young interns within the company who are unlikely to be recruited on permanent contracts, various support measures directed at external employment are organized at the end of their internship contracts (organization of job-seeking forums, workshops on how to set up a company or on job-seeking techniques, presentations of dedicated job offer websites, etc.).

KLM is a co-founder of the Aviation Community Schiphol foundation, a community that creates sustainable employment for people who want to work at Amsterdam Schiphol Airport. Within this community, KLM also collaborates intensively with the MBO College Airport at Hoofddorp to ensure that the education they provide corresponds well to airport practices.

The KLM Maintenance division partners 5 ROC establishments and offers internships to students training in aeronautical mechanics.

Committed to the employment of vulnerable people

Air France, signatory of the Corporate and Neighborhood Charter in 2013, supports the government initiatives PAQTE and “La France, une chance, les entreprises s’engagent”. 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 women (Créatrices d’Avenir), students or startups (Challenges du Numérique).

Air France and KLM also support workers with disabilities by working with sheltered sector companies. Air France made a spending of **€19 million in the sheltered sector** and continues to work with sheltered sector companies on multiple projects (e.g. the upkeep of green spaces at some sites, the shipment of packages of uniforms, the packaging of headphones offered on board, etc.), and entrusts them with highly critical services (four sheltered sector suppliers work with the IT department).

LOCAL DEVELOPMENT AT DESTINATIONS

With 318 destinations in 118 countries, we are an important driver of economic and social development and a strong supporter of 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. Together with the flights operated by Delta within the framework of the transatlantic joint-venture, in 2018 Air France and KLM served 139 long-haul destinations world-wide. 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.

Responsible and sustainable tourism

If well-managed, tourism 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 are committed to mobilizing partners and clients to make tourism a positive catalyst for change, also by acknowledging the potential environmental impacts.

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 an associated member 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.

Air France raises awareness among its passengers by broadcasting promotional films on responsible tourism aboard Air France's planes, in partnership with a responsible tour operator, Double Sens.

LOCAL ENTREPRENEURSHIP AND SKILLS DEVELOPMENT

By identifying the key innovation players in Africa, Air France pursues its Open Innovation approach. Since 2017, in partnership with Myafricanstartup, Air France encourages the establishment of a genuine hub of incubators in Abidjan, in cooperation with the African Development Bank, with the objective to increase the visibility of startups with strong potential in Africa.

In 2018, Air France-KLM was a partner in the second edition of Africa's largest technological innovation event, Africarena 2018. The event was an opportunity for international companies and investors to discover a selection of startups. Air France-KLM launched two challenges in the field of innovation: one focusing on improving the customer experience, and the other on sustainable development.

Founded in 2005 in Bamako (Mali), 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 sales service of second-hand equipment that has been entirely reassessed. The aim is to guarantee the reliability and performance of track equipment in African locations, by offering the equipment at the best price to local handling companies. Also, through audit and repairing missions, African providers benefit from Air France's experience in maintenance of airport equipment. In 2018, 91 items of fully refurbished airport equipment were sold, including 68 at the time of the 31st African Union (AU) Summit.



SOCIAL PARTNERSHIPS

Air France-KLM support several social, humanitarian and nature conservation projects:

CONTRIBUTION OF AIR FRANCE-KLM



€ 15 MILLION

financial support/donations



3,552

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. Since its inception in 1992, the Foundation has facilitated the realization of 1,417 projects, mostly sponsored by Air France employees. In 2018, the Foundation supported 76 projects worldwide: 63 projects for children in difficulty and 13 projects for sick children.

In 2018, Air France Humanitarian Aid Department supported 35 NGOs helping children in need of medical care, and issued 406 tickets for medical teams and for the repatriation of sick children. Excess baggage fees were waived for more than 74 NGOs transporting medical equipment and for health emergencies.



Acting for Life

**ACTING
FOR LIFE**

"La vie, pas la survie" —

For over 40 years, the airline has partnered with the Acting for Life NGO which operates in Africa, Latin America, Asia, Middle East and Oceania, through economic and regional development programs, support for small livestock and arable farmers and vocational training and integration for the most disadvantaged populations. In France, Acting for Life is recognized as public utility. In 2018, it has supported 38 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 2018, 1,400 sick and recovered children were carried on Air France flights and 8,500 packages of medicines and smaller medical equipment were shipped to 26 destinations by Air France.



Gawad Kalinga



Since 2015, when a partnership was created through the involvement of local teams, Air France-KLM expanded its 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



KLM and Wings of Support have an official cooperative agreement. The foundation started in 1998 and is an independent organisation run by around 90 KLM volunteers. The charity's aim is to help children in countries KLM flies to by increasing access to education, shelter and healthcare. The foundation strives to involve local populations in its activities.



Humanitarian crisis

In case of (environmental) disasters, Air France and KLM Cargo contribute where possible to deliver emergency items.

EMPLOYEE INITIATIVES

Both Air France and KLM encourage employees' initiatives in social projects and volunteering. In January 2018, a first Air France's Citizen Solidarity Day took place, involving 1,000 employees who volunteered to assist 43 aid associations in 10 regions, working in areas ranging from childcare, environment, disability, inter-generational sharing and education to fight against poverty. This initiative was renewed in 2019.



Within the “Friends of Air France Foundation”, more than 3,200 employees are involved in various voluntary, childhood-focused projects. Their involvement can take different forms, from volunteer work to skill-sharing or donations.

The Wings of Support foundation supports local projects in KLM destinations. Both KLM flight crew and ground staff are actively involved in the work of the foundation. In 2018, the foundation supported 85 projects in 10 different countries. In 2018, 117 teams of KLM colleagues participated in the running contest “Dam tot Damloop” to raise funds for a Wings of Support project: 18.000 euros were raised.

International locations also organized worldwide Citizen Days, supporting employees who want to join non-profit social and environmental organizations during their working time. For example, clean-ups were organized with the aim of contributing to the preservation of environment. One such initiative was organized in Switzerland, and another one in Gabon, in partnership with the National Agency of National Parks of Gabon.

ENGAGING OUR CUSTOMERS

We are committed to engaging our customers in our sustainability approach.

Air France:

- 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.

- The Trip and Tree program, initiated in 2018 and gradually developed in 2019, allows customers who purchase an Air France ticket to reduce the environmental impact of their trip with a donation to support different worldwide tree planting projects.



KLM:

- In the "KLM Takes Care" pages of its monthly magazine, the Holland Herald, KLM focuses on various sustainability initiatives and highlights the work of its partners.
- KLM's CO2ZERO program enables passengers to compensate the CO₂ emissions of their flight by investing in Gold Standard certified projects such as the CO2OL Tropical Mix reforestation project in Panama.

Air France-KLM Flying Blue passengers can support NGO projects by donating Flying Blue Miles. This year, 85 million miles were donated by Flying Blue members, worth 3,552 tickets.



IN DETAIL

COMMITMENTS

INTRODUCTION

Following our signature of the United Nations' Global Compact and based on our long-term management vision, we integrate corporate social responsibility standards in our business and strive to set those the airline industry. We do this by implementing a set of clearly-defined commitments to ensure that profitable growth goes hand in hand with long-term value creation.

We consider safety and security to be unquestionable obligations and we are committed to developing trust with all our stakeholders.

- We act with integrity and strive to build trust with our customers and business partners
- We proactively pursue dialogue with all our stakeholders
- We are systematically accountable for our economic, social and environmental results and guarantee transparency in the information we provide
- We undertake to enforce Human Rights, to oppose all forms of child or forced labour, to apply the law and to request our suppliers and subcontractors to comply with these principles
- We are actively involved in setting international standards for a responsible air transport industry

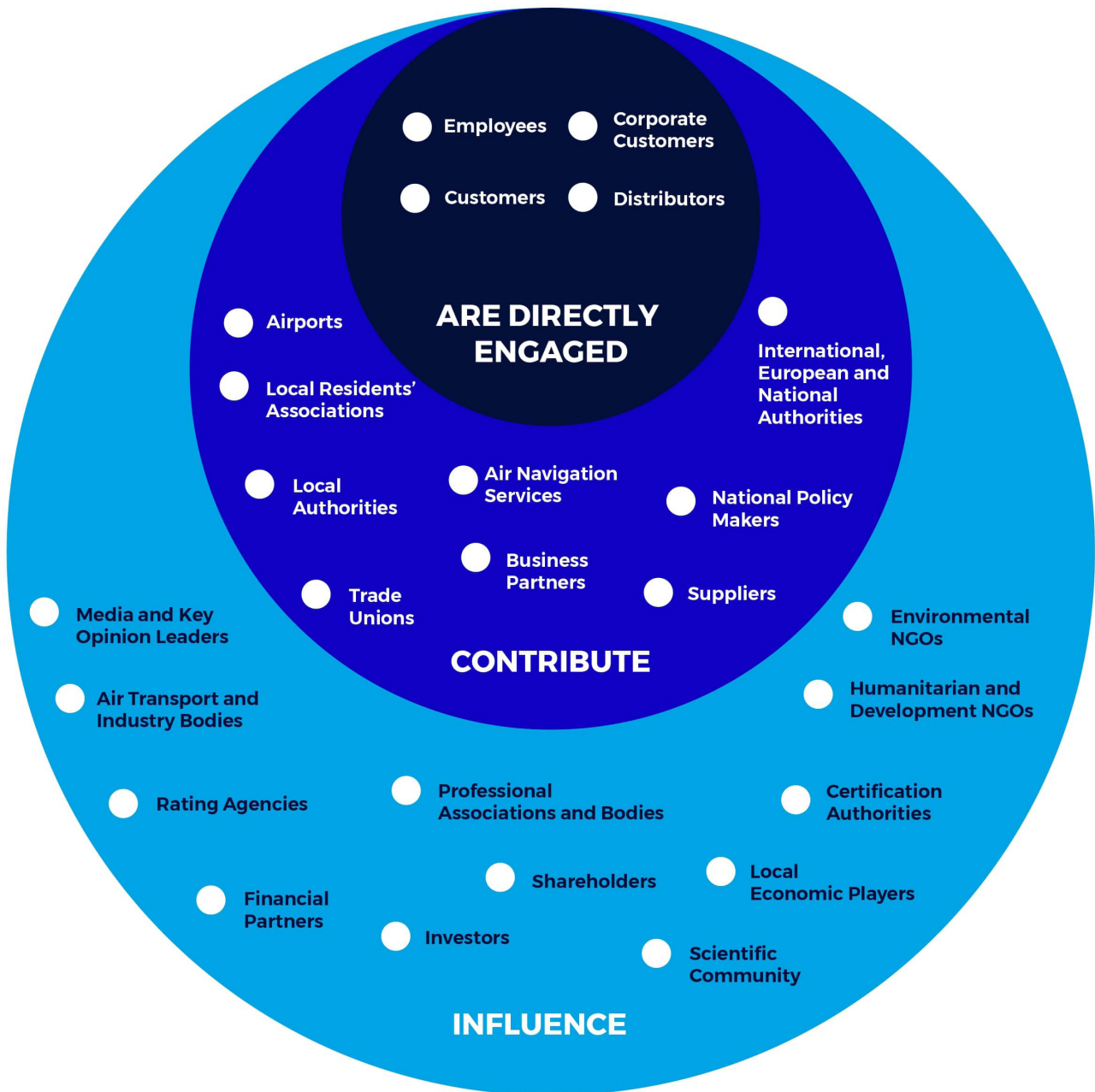
Our policy strives to ensure that these commitments are implemented by all our employees and pursued company-wide in all our day-to-day tasks. We do this by implementing dedicated action plans for each airline, where we set objectives and audit the results.

We expect our suppliers and employees as well as all others who are committed to building a responsible air transport industry, to endorse the above commitments.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Engaging with stakeholders is an important part of our sustainability strategy. A good relationship with our stakeholders is essential in supporting the implementation of our strategy. As a multinational and worldwide operator, we interact with different stakeholder groups:

STAKEHOLDER MAP



STAKEHOLDER DIALOGUE

In 2018, we continued engaging with our major stakeholders through various channels:

- We set up internal barometers and events to monitor staff perception and collect suggestions for improvement. Air France and KLM launched an in-house version of the Net Promoter Score, known as “Employee Promoter Score”.
 - External stakeholder sessions were organized and perception surveys conducted to continue the dialogue with customers on satisfaction, with shareholders and investors on non-financial indicators and with suppliers on their CSR performance.
 - We did best practice benchmarking with other large companies and contributed to working groups within the aviation industry.
 - Various feedback channels were pursued or newly set up to enable stakeholders (particularly employees, customers and local residents around airports) to communicate any comments and potential complaints.
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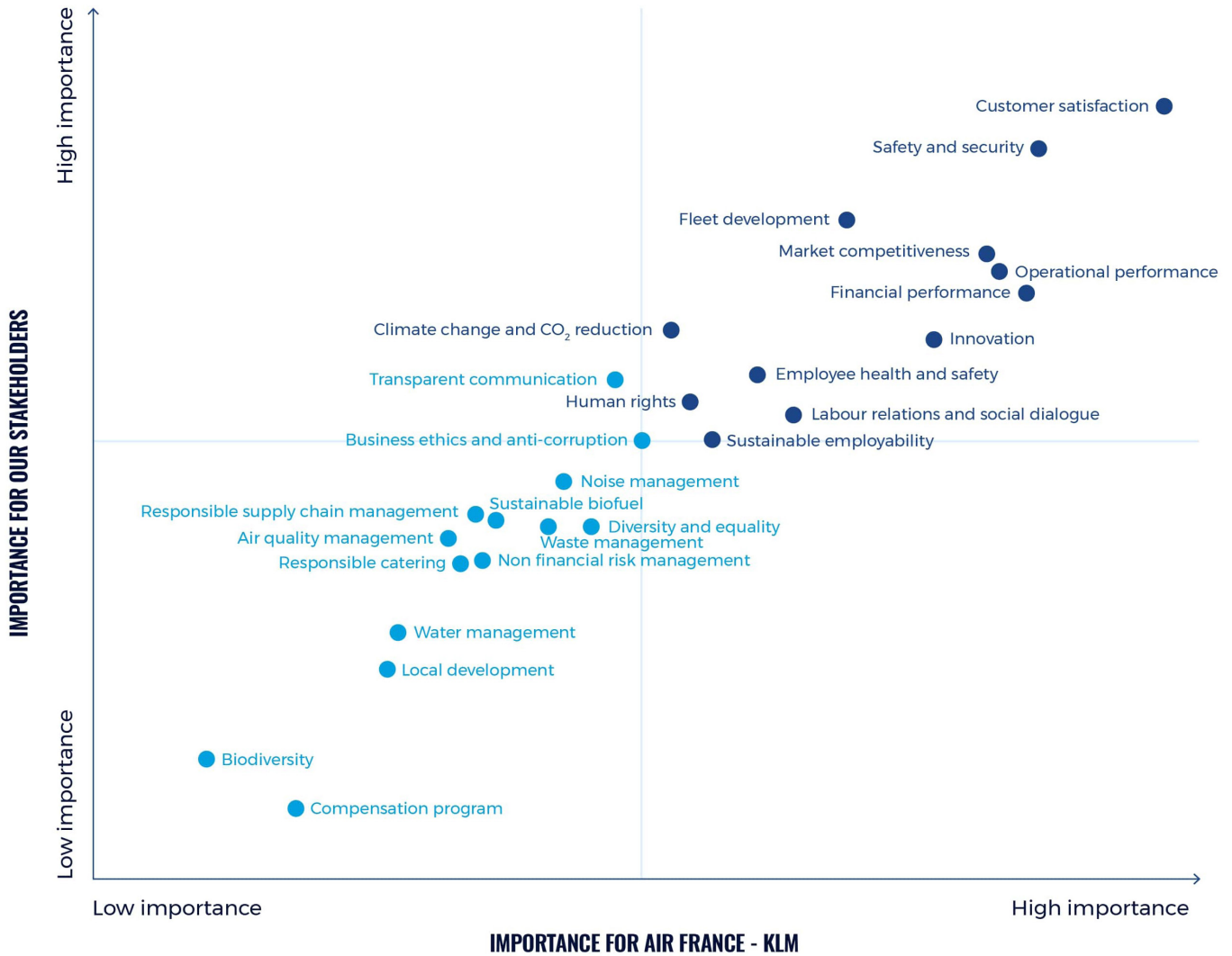
MATERIALITY ASSESSMENT

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

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

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

MATERIALITY MATRIX

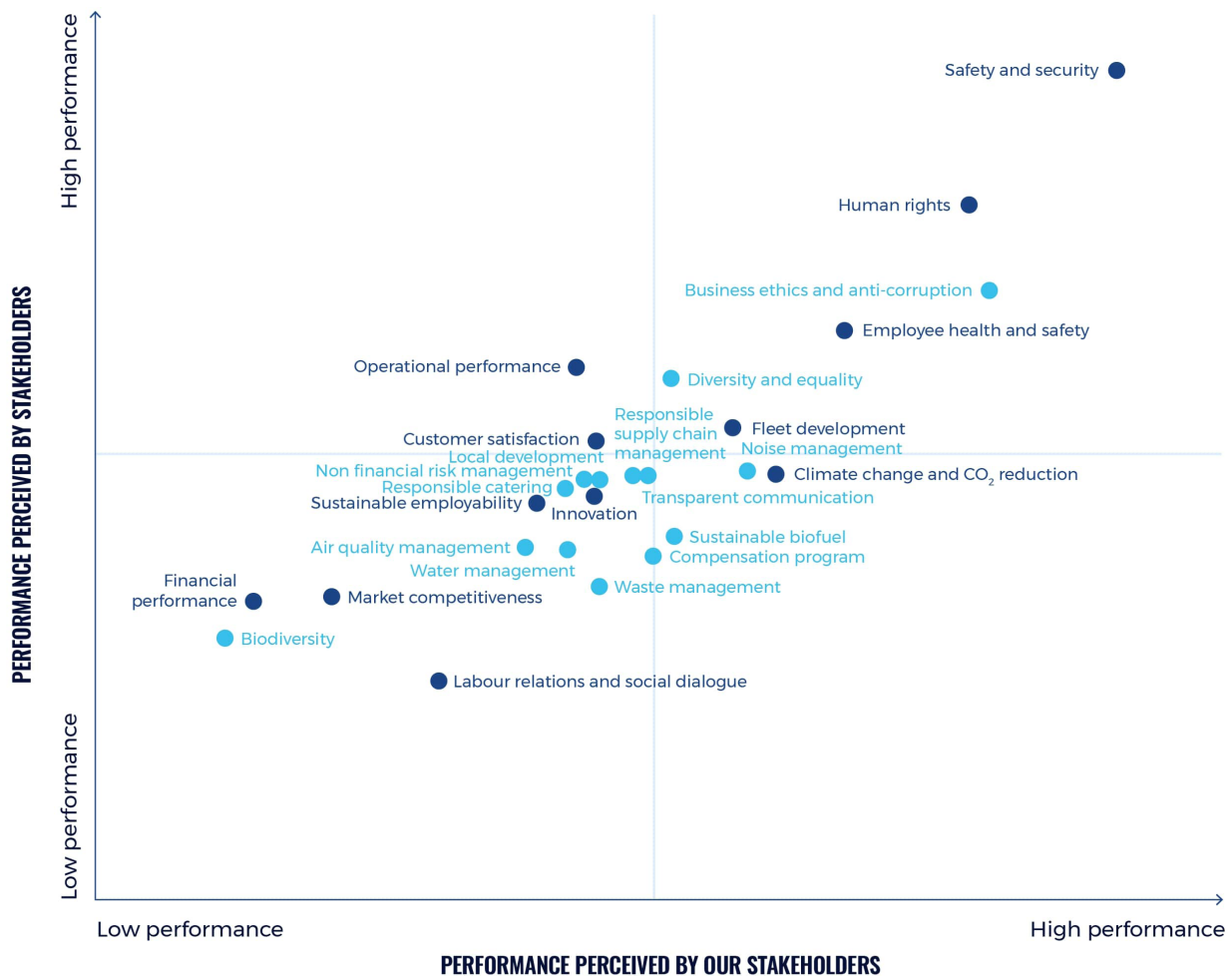


The topics represented in the upper right corner of the materiality matrix are considered most relevant from the business perspective of Air France-KLM, as well as by its stakeholders. According to this analysis, our key topics are:

1. Customer satisfaction
2. Safety & security
3. Financial performance
4. Market competitiveness
5. Operational performance
6. Fleet development
7. Innovation
8. Labor relations & social dialogue
9. Employee health & safety
10. Climate change & CO₂ reduction
11. Human rights
12. Sustainable employability

It is important to note that Air France-KLM and its stakeholders have a similar view with regard to the importance of topics.

PERFORMANCE PERCEPTION MATRIX



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

- The topics in the top right corner represent topics that received a high performance score from Air France-KLM and its stakeholders. Five of these topics are also indicated as material topics: safety & security, human rights, employee health & safety, fleet development, climate change & CO₂ reduction.
- The bottom left corner, on the contrary, contains topics which received low performance scores. The three material topics are especially interesting, as they require additional attention in reporting and strategy: labor relations & social dialogue, market competitiveness, financial performance.

Lastly, stakeholders were asked to rank the top five material topics. The average Top 5 includes operational and economic aspects, such as financial performance, operational performance, market competitiveness, innovation or fleet development. The most important topics are customer satisfaction and safety and security.

Some examples of Top 5 as ranked by different stakeholder groups:

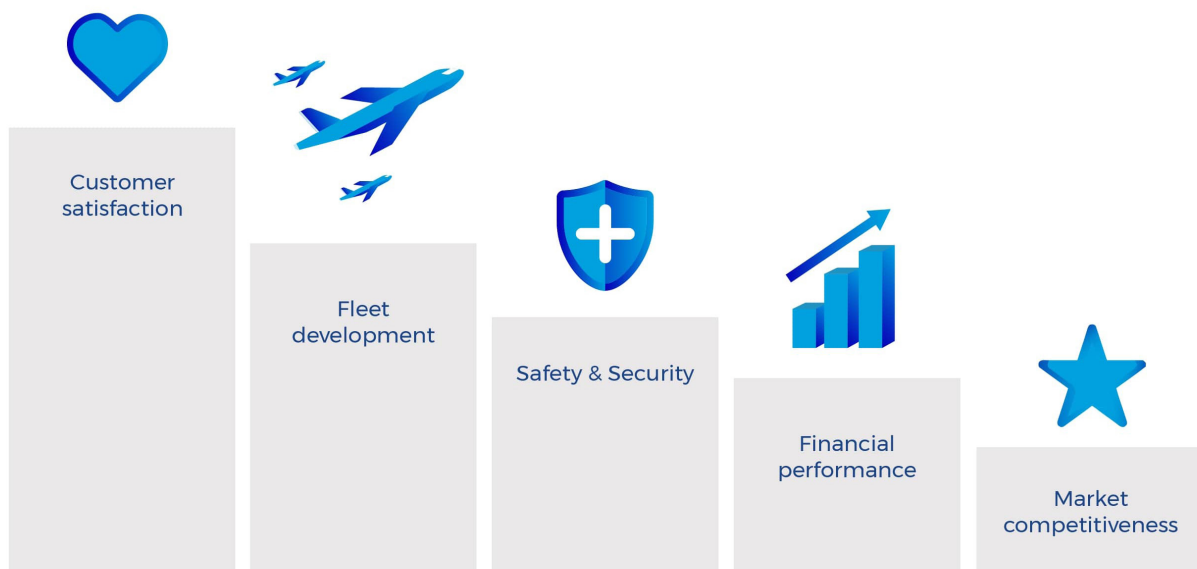
CUSTOMERS

SURVEY REALIZED IN 2017



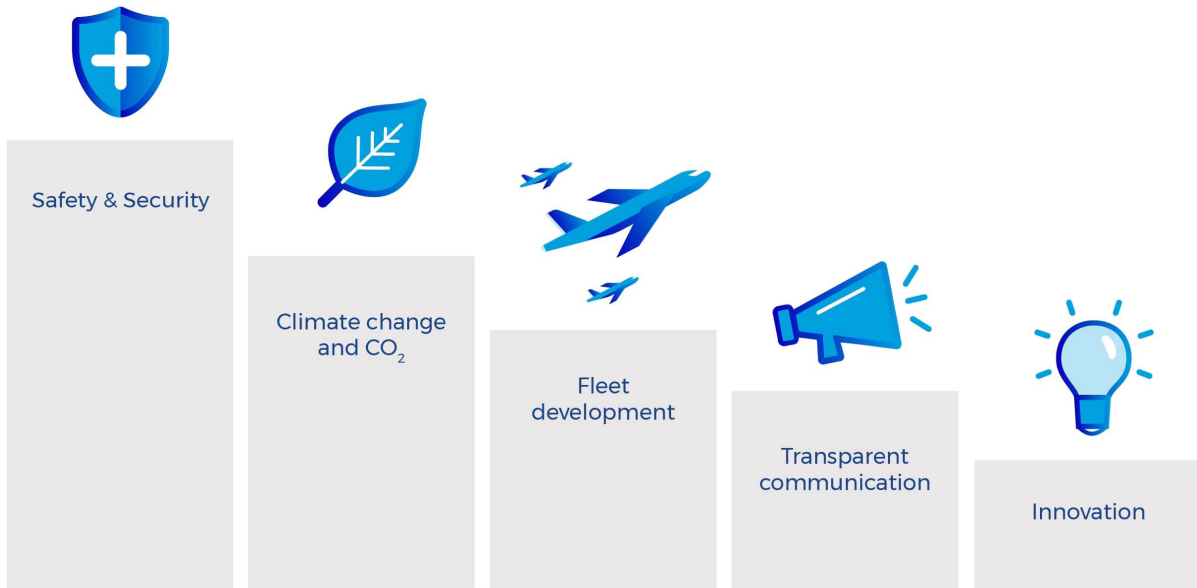
SHAREHOLDERS, INVESTORS

SURVEY REALIZED IN 2017



GOVERNMENTAL ORGANIZATIONS

SURVEY REALIZED IN 2017



NGO

SURVEY REALIZED IN 2017



In 2019, the Group will conduct a new materiality analysis to evaluate the perception of the changes in governance and strategy.

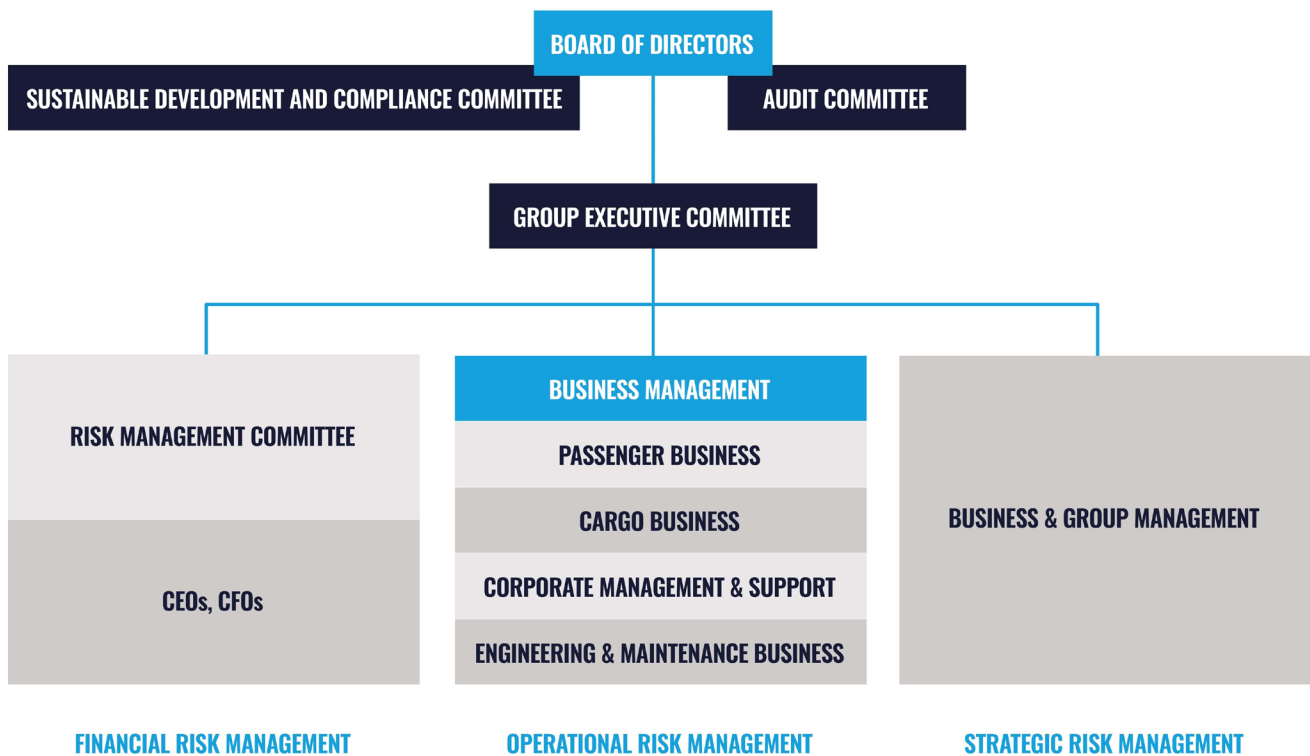
RISK MANAGEMENT

Being exposed to general risks associated with doing business and, in particular with regard to aviation business, Air France-KLM has implemented a system to identify, analyze, monitor, manage and control these risks.

IDENTIFYING, ANALYZING AND MONITORING RISKS

Each entity of the Group is responsible for the management of its risks and reports on them regularly. A global risk mapping process has been established using the reports of all entities about risks, facilitated by the Internal Audit of the Group. This risk mapping is regularly updated and consolidated.

AIR FRANCE – KLM RISK MANAGEMENT SYSTEM



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

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

Generally speaking, the control of operational risks is at the heart of the management of Air France-KLM's business activities. To this end, additional contributions from Internal Control and the Integrated Management System (IMS) enable the consolidation of an increasingly prevention-oriented approach. Therefore, under the IMS, a risk-rating matrix (frequency, severity), an analysis methodology and the "Bowtie" tool are used as a homogeneous multi-risk assessment model.

EXTRA-FINANCIAL RISKS

In 2018, to complete the Extra-Financial Performance Statement, Air France-KLM established a specific working group responsible for reviewing and assessing the extra-financial risks for the Group.

These risks were subsequently evaluated to establish an extra-financial risks matrix, with the following risks emerging as the most material:

- Working conditions and employee dialogue
- Operational safety of stakeholders (customers, employees, etc.)
- CO₂ emissions
- Adaptation to climate change
- Business ethics

Divided into the four dimensions of human relations, social, environment and business ethics, they are consistent with the results of the 2017 materiality matrix which illustrated the cross perceptions of internal and external stakeholders, with that of CSR strategy as developed by the Group.

These extra-financial risks are permanently monitored and integrated in the Group's operational risk assessment worksheets, and are subject of measures, monitoring procedures

and action plans. They are outlined in Sections 3 “Risks and risk management” and 4 “Corporate social responsibility – Extra-financial performance declaration” in the 2018 Registration Document. This analysis will be renewed every year.

INDEPENDENT MANAGING AND CONTROLLING

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

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

Internal audits contribute to the improvement of operational processes, and help in achieving Group or industry-specific objectives.

ETHICS

HUMAN RIGHTS

Air France-KLM respects human rights and supports protection of it, combats corruption and explicitly opposes all forms of child and forced labor.

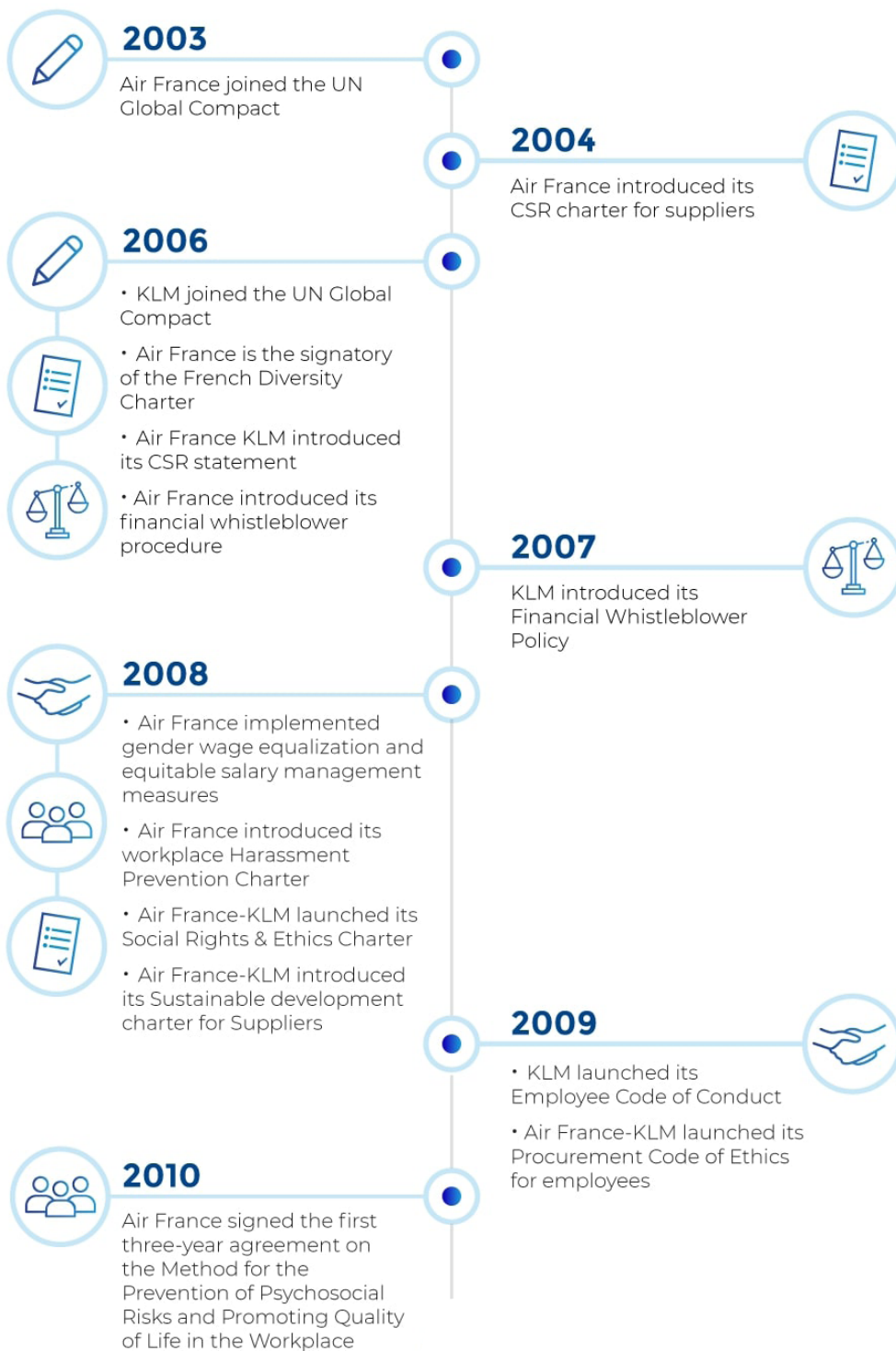
Our standards are based on accepted international norms, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the Core Conventions of the International Labor Organization (ILO) and the Children’s Rights and Business Principles.

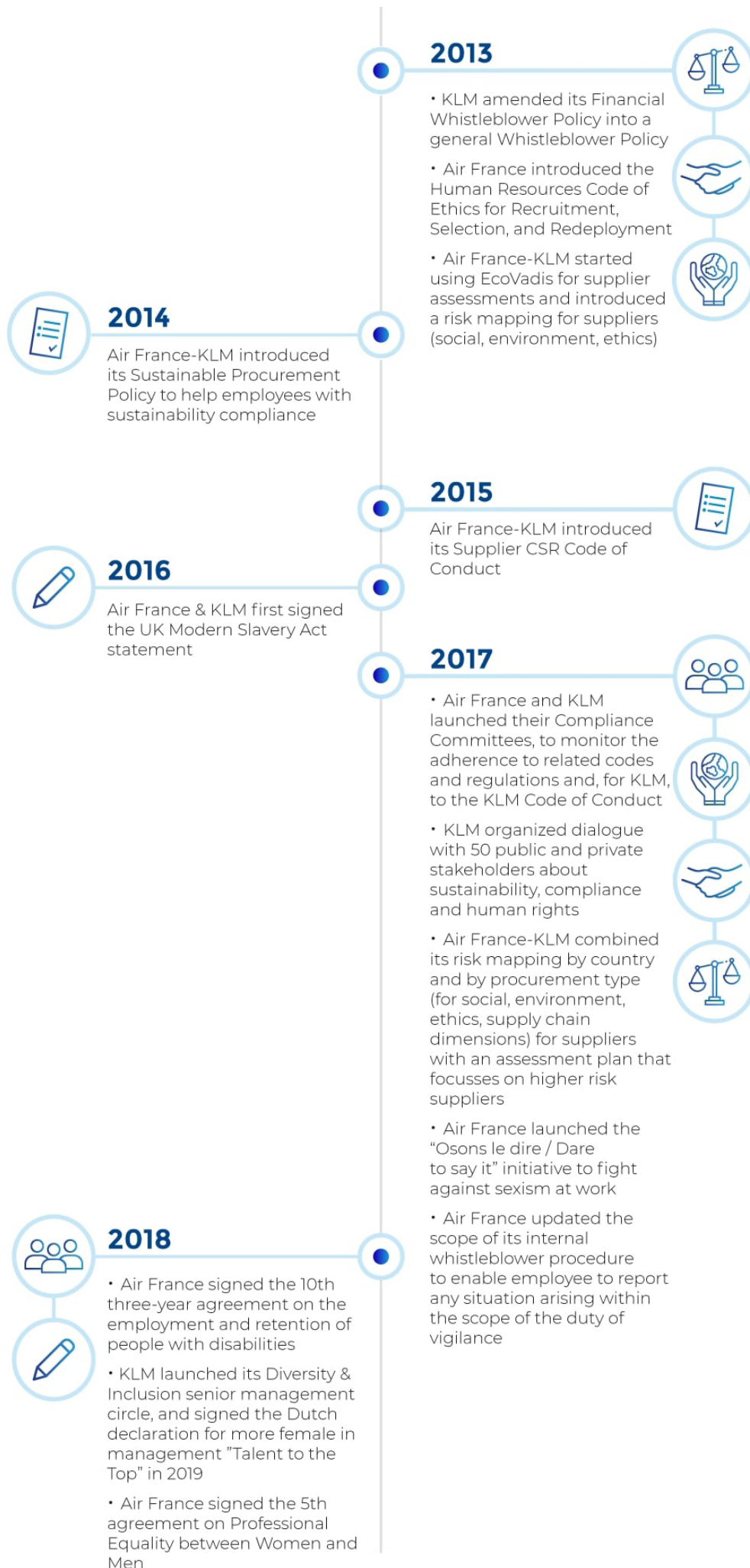
We have policies on respect for international human rights, anti-corruption and bribery, and money laundering. As required by the UK’s Modern Slavery Act, Air France-KLM published a statement on the websites of Air France and KLM.

With this timeline, we explain the steps that Air France-KLM has taken over the past 15 years towards respecting human rights. It shows how we move from endorsing internationally accepted standards to putting this into practice.

Nous avons représenté les grands jalons qui illustrent l'engagement d'Air France-KLM en matière de droits humains depuis les 15 dernières années, depuis la reconnaissance des normes internationalement reconnues jusqu'à leur mise en pratique concrète dans nos activités.

OUR ACTIONS TOWARD HUMAN RIGHTS





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2019

- Air France-KLM is drafting a human rights policy, amending the Social Rights & Ethics Charter
- Air France launched an internal awareness campaign to help operational staff identify and report any behavior that may be linked to human trafficking
- Air France-KLM is planning engagement of stakeholders to come to a risk mapping for human rights risks regarding its employees
- Air France-KLM has revised and tightened up its Sustainable Procurement Policy



Human rights for our employees

Since 2006 and 2008 respectively, Air France-KLM introduced its CSR Statement and the Social Rights & Ethics Charter. The Social Rights & Ethics Charter affirms the Group's commitment to fostering a climate of trust and mutual respect in the workplace.



These values and rights are the foundation for social, economic and cultural cohesion within each company and within the Group. The Air France-KLM Group's employees have the right to work in an environment in which there is respect and care for their health, safety and dignity, and in which social dialogue is possible. The charter applies to employees of Air France, KLM and of their subsidiaries.

Currently, Air France-KLM is working on amending the Social Rights & Ethics charter by integrating its human rights policy. It is our objective to come to a policy document that formulates not only the rights of our employees and the employees of our suppliers but also gives direction for execution and implementation, including risk assessment. We have embarked on this journey together with the European Works Council, aiming to have an approved policy before the end of 2019.

The Group already has a thorough process in place to identify and manage risks related to the health and safety of employees. We also execute audits to secure health and safety of our employees worldwide.

To create a good understanding of the way in which we protect the human rights of our employees, an overview was created of the policies and procedures we have in place for employees in France and the Netherlands per relevant human right. The overview includes the legislative basis, internal policy documents, the complaints procedures, compliance operating mechanisms and process owner, for the following human rights: Privacy, Equality / Non-discrimination, Decent working conditions, Employee health, Employee safety, Labor relations and Child labor / Forced labor. Currently, we are refining and specifying our risk mapping process for employees on regarding human rights.

Human rights in our supply chain

As a sustainable group, we are mobilized to make our suppliers join us in this commitment, based on a shared set of values and principles. As a means to ensure commitment to our principles we expect our suppliers to agree with our sustainable development charter and our Supplier Code of Conduct. Currently, 67% of the suppliers have signed the sustainable development charter or have provided an equivalent document. We have set a target of 70% for 2019. In our contracting we retain the right to ask for sustainability assessments through the services of EcoVadis. These assessments are a key element, especially for the higher risk suppliers to help us manage and monitor compliance of our suppliers.

To determine the level of risk of our suppliers, we use a Supplier Risk Mapping tool. This may result in the decision to ask certain suppliers to take part in a sustainability assessment. These assessments may be followed or replaced by on site audits of our suppliers. The number of companies whose CSR performance was evaluated on EcoVadis increased by 9% in 2018, from 325 to 355. Furthermore, as part of a continuous improvement process, in 2019 the company's goal is to evaluate 50 additional suppliers. In 2018, 55 "high risk" suppliers flagged by the risk mapping process were evaluated.

Suppliers that are not in compliance with our requirements are encouraged to improve and demonstrate their compliance after the implementation of their corrective actions.

Air France-KLM communicates to its suppliers that their sustainability performance and level of compliance can be a part of our procurement decisions.

We have a Sustainable Procurement Policy in place for our employees, which we have recently updated. Focus is now being put on communication so as to activate a broader supplier compliance. We aim to train our procurement team and make them aware about external laws and regulations as well as our internal sustainability policy.

BUSINESS ETHICS

Context and strategy

The prevention of bribery and anti-competitive behavior is an important factor in fair business practice. As unethical or inappropriate behavior can have considerable negative consequences, preventing unfair practices is of key importance.

We are committed to conduct business with loyalty, fairness, transparency, honesty and integrity, and in the strict respect of the anti-corruption laws in all the countries where we operate.

- Our Anti-Bribery Manual serves as a code of conduct for all employees and establishes the guidelines for preventing corruption and for identifying and handling risk situations with regard to the anti-corruption legislation.
- In addition to the Anti-Bribery Manual, a Gift and Hospitality Policy has been introduced. This Policy aims to provide clear guidelines for staff, including financial limits, on giving and receiving gifts and hospitality.
- Both the Anti-Bribery Manual and the Gift and Hospitality Policy document are available to all staff in three languages.

In terms of anti-competitive practices, we maintain our policy aimed at the prevention of anti-competitive acts by circulating a Competition Law Compliance Manual.

The KLM Group has implemented a KLM Code of Conduct which contains an overview of the rules governing the KLM Group's business conduct and suppliers working with the KLM Group. The areas covered are safety, business integrity, social responsibility and reporting on violations.

Measures and action plans

New legislation or requirements, relating, for example, to anti-bribery or data privacy are taken into account when establishing the compliance programs, and are given additional emphasis via awareness-raising campaigns.

The Compliance Officers within Air France-KLM, Air France and KLM are tasked with pursuing the implementation of the Compliance programs within the Group. They are supported by a network of compliance representatives in the subsidiaries.

Topics that require greater awareness and transcend businesses, like the prevention of bribery and anti-competitive behavior, are brought to the attention of employees.

- These awareness-raising campaigns are supplemented by dedicated training that is available to individual employees.
- Employees can always raise questions or concerns with the Compliance Officers and legal experts.
- Following the anti-bribery e-learning training campaign at the end of 2017, efforts have been made to further strengthen the anti-bribery awareness and knowledge of staff through, for example, information meetings and discussions, improved access to compliance documents, and communication by the Group's general management.

Whistleblowing procedures:

Since all employees are required to respect these rules, employees in all the Group's entities are encouraged to discuss any compliance concerns with their line managers. They can also contact a Compliance Officer directly.

Employees also have the opportunity to report on a problem through whistleblowing procedures. These procedures include the possibility of reporting any serious situations relating to the duty of vigilance (human rights, fundamental freedoms, health and safety, environment), pursuant to the legal requirements. Reports under the whistleblowing procedures are being investigated and appropriate corrective actions are taken and implemented.

PUBLIC POSITIONS

ORGANIZATION

Air France and KLM have public affairs delegates working directly with their respective authorities and declared in the lobbying registers of the French and Dutch parliaments, complying with the relevant codes of conduct. Air France-KLM has two Brussels-based representatives to the European Institutions registered in the EU Transparency Register.

All Air France-KLM expenditure for policy influence accumulates in 2018 to a total of €1.64 million (including staff costs for lobbying activities). The majority of these costs relate to memberships of national and international trade associations. A minor part is spent for the services of consultancies. Air France-KLM, Air France and KLM did not spend money for other policy influence activities such as support to political campaigns, individual politicians or any other political organizations or activity.

Air France-KLM is member of several national and international bodies that represent the air transport sector and advocate its public positions. We participate in major international associations such as IATA, Airlines for Europe of which we are a founding member and BusinessEurope. At national level we participate in general industry associations, specific aviation bodies and sustainability initiatives.

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

COMPETITIVENESS OF EUROPEAN AVIATION

European Aviation Strategy

Air France-KLM has supported the European Commission's Aviation Strategy for Europe, published in 2015, which aimed to ensure that the European aviation industry remains competitive and rightly focused on the indispensable contribution of aviation to Europe's economy. Part of this Strategy was the review by the EU institutions of an existing but badly functioning European trade defense instrument to fight unfair competition by third-country carriers affecting European airlines.

Furthermore, Air France-KLM has supported the granting of mandates to the Commission to negotiate comprehensive air transport agreements between the EU and third countries, including Gulf States.

Air-France-KLM regrets, that the Aviation Strategy has not yet resulted in legislative proposals as regards the abuse of monopoly power by airports in setting airport charges and the practices implemented by some airlines, who do not respect the home-base principle with regard to applying social security laws.

Schiphol Airport capacity

It is essential for the Group that additional growth possibilities are granted at Schiphol airport to allow for the development of KLM.

The so-called "Alders" covenant dating back to 2008 determined that until 2020 Schiphol can develop up to 500,000 aircraft movements (this level was already almost reached in 2018). It was also decided that 70,000 movements should be done at Lelystad airport and Eindhoven.

The opening of Lelystad airport however, originally foreseen in April 2018, has been delayed a few times and might now only take place in 2020. In addition, the rules the Dutch government had proposed to move some O&D traffic from Schiphol to Lelystad airport, freeing slots

at Schiphol for long haul flights adding to the network and the economy, have not been approved by the European Commission as they would prevent new entrants to develop at Lelystad. The Dutch government is now redrafting the air traffic distribution rule, taking into account the EC's concerns.

Consumer rights

The Group contributes to the European institutions' work on consumer rights. It remains vigilant that the rules are proportionate to their objective and are applied equally to all airlines operating to and from the European Union. In this respect, Air France and KLM do their utmost to prevent any inconvenience to passengers.

French environmental taxation

In the context of the current debates on fuel taxation and the possibility of taxation of kerosene for domestic flights, it seems important to take into account that French air transport is already heavily taxed. Unlike other modes of transport, airlines are subject to taxes and fees, the revenues of which are used to finance all of its infrastructure costs. This has been widely documented in different official reports in recent years. A tax on kerosene would result in additional charges which would lead to a reduction in essential air services for the French Regions for which no efficient alternative modes of transport exist. In addition, such a tax would deprive Air France-KLM from the possibilities to renew its fleet and limit its CO₂ emissions.

In sum, domestic and intra-European flights are subject to the EU Emissions Trading Scheme. For its international flights, air transport has also committed to reducing its greenhouse gas emissions from 2021 via a global carbon offsetting system (CORSIA), concluded within the framework of the United Nation's aviation organization International Civil Aviation Organization (ICAO). The estimated cost of this system is €100 to €150 million per year for the Air France-KLM group by 2025.

Dutch aviation tax

The coalition agreement of the current Dutch government (2017-2021) indicates aviation needs to implement sustainability measures in exchange for further growth possibilities. European agreements on taxes on aviation will be pursued as part of the negotiations on the Paris climate targets scheduled for 2019. The possibility of further differentiation of charges for noisy and polluting aircraft will also be examined. If both paths do not deliver adequately, an air passenger tax will be introduced in 2021. The revenues of this tax will be channeled back to the general government budget and will therefore not benefit the environment. This takes away finances from the aviation sector that could otherwise have been invested in cleaner aircraft, the development of biofuels or other sustainable initiatives.

It goes without saying that Air France-KLM is in favor of more sustainable aviation, but the Group is against a national air passenger tax that does not help the environment. Travelers will then be tempted to take the car to fly from abroad. Also a study done by CE Delft in 2018 concluded that the intended aviation tax will have no positive environmental impact.

SUSTAINABLE AVIATION

A global carbon offsetting scheme from 2021

Air France-KLM supports the first sectoral United Nations agreement to reduce emissions at a global level, allowing aviation to meet its climate obligations whilst continuing to meet the increasing demand for mobility and economic growth around the world. This agreement designed CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) which aims to stabilize net CO₂ emissions from international aviation at 2020 levels. We call for a long term carbon reduction target under ICAO in order to contribute to the 2 °C global climate target in the Paris agreement.

The Group urges regulators to take the necessary actions to allow for a timely preparation and effective implementation of CORSIA, including credible offsets and strong governance to ensure a global level playing field and carbon reduction targets.

The Group expects CORSIA to be the only measure applicable to emissions from international flights within Europe in the future. A system of double charging in which airlines would be obligated to pay twice for the same emissions (CORSIA and EU-ETS) would contradict the terms of the ICAO agreement. It affects the competitiveness of EU airlines and has limited environmental benefits, as an important share of the traffic would not disappear but would be routed via extra-European hubs, causing similar or sometimes higher amounts of emissions.

Sustainable Aviation Fuels

In addition to the CORSIA agreement, clear commitment and action from all stakeholders is needed to implement all four pillars of the industry's united strategy including the development of sustainable aviation fuels. The Group actively participates in the global Sustainable Aviation Fuel User Group (SAFUG) and the European Advanced Biofuel Flightpath 2020 initiative, which is conducted in partnership with the European Commission, Airbus, IATA, other European airlines and European biofuel producers to get more rapidly sustainably produced aviation fuels to the market. Currently the Advanced Biofuel Flightpath is co-chaired by KLM.

The Dutch Government, KLM and other Dutch partners work together towards continuous production and supply of sustainable aviation fuels in the Netherlands. These initiatives build on the objectives of the Green Deal between the Dutch Government and KLM.

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

Air France-KLM is in favor of the European Commission's move to include in the recent revision of the Renewable Energy Directive (RED II) policy mechanisms to advance the deployment of sustainable aviation fuel and ensure that Europe maintains an internationally competitive position in renewable fuels for aviation.

French Air Transport Assises

The French Air Transport Assises concluded on 8 March 2019 after a year. This closing gave rise to a presentation of a National Strategy for Air Transport (NSTA) aimed at “Ensuring the sustainable development of a world-class French air transport serving as an essential connectivity tool for each of the territories”. This strategy is based on immediately applicable measures and others to be implemented by 2025.

The measures adopted at this stage represent an annual saving of around €60 million per year for Air France. These measures however only partially reduce the competitiveness gap of the French fiscal and social environment for aviation compared to the one prevailing in other major EU member States.

The monitoring of the implementation of the French National Air Transport Strategy will be entrusted to the Superior Council of Civil Aviation (CSAC). Air France-KLM calls on the French Authorities to pursue an ambitious strategy to help the French air transport sector to regain additional competitiveness to the benefit of the entire French economy and the travelling public.

BREXIT

Air France-KLM has been closely following the Brexit negotiations. Part of this process is informing national and European politicians and policy-makers of the possible impact for the aviation sector of the United Kingdom exiting the European Union. Air France-KLM would have preferred the UK to remain a member of the EU. The UK is one of the most important markets and it is essential that good connectivity between the UK and the EU remains.

The Group wishes to see an orderly Brexit if the UK does leave. If UK airlines would want to have similar benefits operating in the EU internal market, they will have to accept the same rules European airlines have to work with (including the remit of the European Court of Justice). In the meantime, we further prepare to limit possible negative consequences. Furthermore, it is essential that the EU and the UK agree on a comprehensive air transport agreement for the future relation.

DUTY OF VIGILANCE

The Air France-KLM Group is subject to the obligations introduced by the Act of March 27, 2017 relating to the duty of vigilance for parent companies and ordering companies. The Group has launched a number of initiatives aimed at consolidating a vigilance plan in compliance with the legal provisions. These initiatives complement the processes the Group already has in place, enabling it to comply directly or indirectly with the requirements of the new Act. In particular, having established verification processes in the areas required to be covered by the vigilance plan, the Group has ensured that it is in a position to benefit, as effectively as possible, from the contributions of its various entities. In 2018, Air France-KLM pursued its actions and focused on measuring their effectiveness within the Group and its subsidiaries.

IDENTIFICATION AND REGULAR RISK EVALUATION PROCEDURES

The identification and evaluation of the various risks relating to the duty of vigilance are part of the overall risk management process established within the Air France-KLM Group. As a facilitator of risk management, Internal Group Audit regularly evaluates the risk management process and its conclusions are the subject of presentations to the Group Executive Committee and the Audit Committee.

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

In 2018, the Group conducted a review of the non-financial risks generated by its activities. This analysis validated the relevance and the comprehensiveness of the measures and action plans aimed at effective prevention, control and mitigation of the non-financial risks deemed to be the most material.

See Air France-KLM Registration Document 2018, section 3 Risk and risk management.

MEASURES DEPLOYED TO PREVENT AND MITIGATE THE RISKS AND MONITORING MECHANISM

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

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

The duty of vigilance is a multi-risk approach. Risk control is at the core of the Air France-KLM Group's business activities, with a view toward prevention and homogeneous management via common methods and tools.

Human rights and fundamental liberties

In its Corporate Social Responsibility Statement, the Group undertakes to scrupulously respect Human Rights, to oppose child labor and all forms of forced labor, to apply laws and to demand from its service providers and suppliers to uphold these principles.

The Social Rights and Ethics Charter affirms the Group's commitment to fostering a climate of mutual trust and respect among staff, and ensuring a safe working environment. The Group undertakes to apply the labor legislation of the European Union and its Member States and all national collective agreements, and to respect the trade union rights in all the relevant countries.

In view of its organization, the Group delegates to its subsidiaries the responsibility of respecting and promoting the content of these commitments locally, with respect to the national provisions and legislation specific to each country.

See Air France-KLM Registration Document 2018, section 4.2 Human resources.

Health and safety

For Air France-KLM, the health and safety of both customers and staff is an absolute priority.

Flight safety is paramount for the Group. It is key to retaining the trust of customers and imperative for the long-term viability of its operations. All the Group's activities are subject to multiple controls and certifications, and need to comply with extremely strict norms and achieve the highest standards in the industry.

Both companies deploy Safety Management Systems, which are integral to their business organizations, processes and corporate cultures.

See Air France-KLM Registration Document 2018, section 3 Risk and risk management and section 4.4 Customer trust.

Safeguarding Health and Safety in the work place is a human issue to which the Group responds by preventing vocational risks and improving the quality of life in the workplace

See Air France-KLM Registration Document 2018, section 4.2 Human resources.

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

See Air France-KLM Registration Document 2018, section 4.4 Customer trust.

Environment

Air France-KLM's Climate Action Plan embodies the Group's strategy and main priorities for reducing its impact on climate change.

The Air France and KLM Environmental Management Systems (EMS) aim to prevent and mitigate the environmental impacts of their operations. They have ISO 14001 certification and internal and external audits enable their effective deployment.

See Air France-KLM Registration Document 2018, section 4.3 Environment.

SUPPLY CHAIN

In its relations with sub-contractors and suppliers, Air France-KLM ensures that the fundamental social rights and principles, and environmental protection provisions, are properly respected everywhere in the world. A supplier selection process has been implemented to respond to the duty of vigilance requirements. To this end, Air France-KLM's Procurement function provides awareness training on these risks for its buyers.

A risk-mapping process is in place with, for each segment and procurement domain, an evaluation of the environmental, social and ethical risks. Risk is also evaluated by country.

Signing of the Sustainable Development Charter is mandatory and is included in the

appendix to all the new or renewed contracts. In the absence of this, the signed Air France-KLM questionnaire is acceptable, as it solicits equivalent commitment covering four areas: environment, social, ethical and supply chain.

In the segments most exposed to risks, suppliers are asked to submit an evaluation of their CSR performance, carried out by a specialized organization or the equivalent. The CSR performance analysis must necessarily address the four domains: environment, social, ethics, supply chain. The “supplier supply chain” criteria provides visibility for tier 2 suppliers.

Suppliers failing to reach an acceptable level are required to put in place a remedial action plan. Independent in-situ audits may also be triggered.

Irrespective of the level of risk, all suppliers are encouraged to carry out evaluations of their CSR performance.

In 2018, 355 suppliers were assessed.

See Air France-KLM Registration Document 2018, section 4.5 Ethics.

LISTENING TO STAKEHOLDERS AND WHISTLE BLOWER MECHANISM

In 2017, Air France-KLM performed a materiality analysis of its main issues by questioning a representative panel of internal and external stakeholders. This analysis enabled the identification of issues that hold priority to be both in terms of strategy and in terms of stakeholder expectations.

Several processes enable the Group to regularly evaluate the perception of stakeholders and to understand the related risks. The Group also has a number of feedback channels in place enabling stakeholders (particularly employees, customers and local residents around airports) to communicate any complaints.

See Air France-KLM Registration Document 2018, section 4.1.2.

The Air France-KLM Group has updated the scope of its internal whistleblowing procedures to enable employees to report any situations arising within the scope of the Act of March 27, 2017 relating to the duty of vigilance of parent companies and ordering companies. For reports under the Whistleblowing procedure *please refer to Air France-KLM Registration Document 2018, section 4.5.3 “Business ethics”.*

NON-FINANCIAL ASSESSMENT

Our sustainability approach is recognized by the main international non-financial rating agencies. Each year we publish our social, societal and environmental performance indicators.

INTERNATIONAL STANDARDS

Certifications

Air France and KLM's Environmental Management Systems (EMS) have been ISO 14001 certified, respectively, since 2008 and 1999, for all air and ground operations in metropolitan France and the Netherlands.

This certification was renewed for a three-year period in 2017 for Air France, and in 2018 for KLM. Internal and external audits verify the effective implementation of the Environmental Management System. In 2018, an internal audit on ISO 14001 requirements was also conducted at Air France.



Reporting guidelines

Our sustainability report follows the GRI4 (Global Reporting Initiative) guidelines and the Global Compact Advanced COP criteria on sustainability reporting.

We have been publishing our social and environmental indicators since 2005.

Pursuant to Article L225-102-1 of the French Code de Commerce, we published, for the first time, our Extra-Financial Performance Declaration in the 2018 Group Management Report, setting forth the main social, societal and environmental issues relating to our activities and to human rights and business ethics, across the entire value chain. This information is reviewed by an independent third party.

For further information on:

- our Extra Financial Performance Declaration 2018
- our social, societal and environmental performance indicators in 2018
- assurance report by one of the statutory auditors appointed as an independent third party

Please refer to the Registration Document 2018, chapter 4.

As part of our Global Compact membership, our “Communication On Progress” report obtained an Advanced Level qualification.

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

A RECOGNIZED COMMITMENT

Air France-KLM’s non-financial performance is assessed annually, in particular by the RobecoSAM (in partnership with the Dow Jones Sustainability Indices), the Carbon Disclosure Project, Vigeo Eiris and ISS-Oekom Research rating agencies.

In 2018, for the fourteenth year running, the Group was listed on of the Dow Jones Sustainability Indices (DJSI World and DJSI Europe) and ranked second among the airline industry. The Group is the only airline company to be ranked in the DJSI Europe index.

The Carbon Disclosure Project (CDP) awarded the Group a score of B (Management level) for the Climate Change questionnaire, and the score of A for the CDP Supplier Engagement Rating.

ISS-Oekom Research granted Air France-KLM “Prime” status: the Group is the only airline company to figure in the annual ranking of the large global companies deemed to be achieving the highest standards of ESG performance.

Thanks to its performance, the Group maintains its ranking in the FTSE4Good Index Series, Euronext Vigeo Eiris Indices (Europe 120 and Eurozone 120) and Ethibel Sustainability Index (ESI Excellence Europe). It is also included in the Ethibel Excellence and Ethibel Pioneer Investment Registers. The Group was awarded the Gold Medal by the Ecovadis CSR rating agency.





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