

together

O P E N & C O M M I T T E D



Corporate social
responsibility report
2010-11

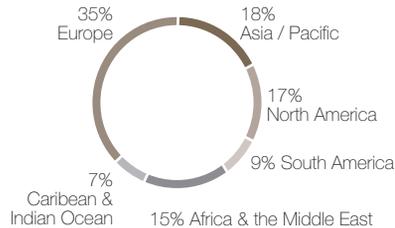
KEY FIGURES



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



BREAKDOWN OF PASSENGER REVENUE
BY DESTINATION, 2010-11



Air France-KLM publishes an annual Corporate Social Responsibility report. The information in this report relates to the 2010-11 financial year, started on 1st April, 2010 and ended on 31 March, 2011. Where information relates to a different time frame, this is explicitly stated.



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How to read this report

Four sections

The first section is designed to help you understand the sector with its issues, challenges, current and future global developments. It then describes the profile of the Air France-KLM group with the Corporate Social Responsibility (CSR) strategy and organization. You also read about the Groups governance, public positions and the way how we engage with our different stakeholders. The third section explains our 5 CSR key issues and the way we deal with them. In the

final part of the report you will find our key performance indicators, details of our reporting methodology and more detailed information about our fleet and stakeholder dialogue.

Vision and joint commitments

Each key issue written in this report starts with the vision of the Group, followed by our joint commitments and the management indicators deployed by both Air France and KLM. After this part, further details are described on the approach and achievements made throughout the year. More extensive information on the social and environmental

indicators is further given in the tables on pages 67 and 69, in reference to the NRE ('New Business Regulations') Act in force in France.

Stakeholder interviews

In this report the Group wants to highlight the importance of stakeholder engagement through interviews with an internal and external stakeholder for each key issue. Each stakeholder is given the opportunity to express his/her appreciation on how the Group deals with the relevant CSR topics and to be in dialogue about further challenges and improvements in different areas.

“ We are determined
to succeed in a responsible
and sustainable way ”



After two difficult years, Air France-KLM has achieved a remarkable turnaround, well beyond the objective we set ourselves to break-even in this financial year. Like other airlines, the Group is benefitting from the global recovery, a recovery which has nevertheless been marked over the course of the year by a series of crises: the volcanic eruption in Iceland, the geopolitical situation in the Middle East and Africa and the earthquake and tsunami in Japan.

Thanks to an ambitious recovery plan, a high level of responsiveness and by adapting its products, Air France-KLM is on the road to growth again for its Passenger, Cargo and

Maintenance businesses. Furthermore, we have mobilised all of our resources and we continued to stand by our CSR commitments.

Achieving such a turnaround would not have been possible without mobilising the entire Group. 2010-11 saw the adoption of Air France-KLM's 'Embark' company vision, which lays out the Group's ambition 'to be the leader in globalised sustainable air transport' and details its objectives and commitments. The pillars of the 'Embark' vision include expanding the Group's three businesses, strengthening the position of its network and brands, providing customers with a quality human aspect, service and operational performance, promoting the Group's values among employees, setting the example for CSR and strengthening its economic performance. Bases for success are our Group values: **open** to others and to the world in the face of the challenge posed by globalisation; **committed** alongside our partners to serving our customers; **together** in solidarity bundling our complimentary strengths and energy. In terms of sustainable development we continue to further integrate CSR in our business and operation. What **really counts** in this **is proven action**, which can be found in this report.

Faced with **the challenge of climate change**, we are making progress in reducing our CO₂ emissions thanks to the ongoing modernisation of our fleet. We continue our active commitment to developing and using sustainable biofuels. At the same time, the

efforts we have encouraged within our industry to bring about international regulation, have achieved an unprecedented step forward with the unanimously adopted resolution by the Member States of the ICAO.

Progress in controlling our **other environmental impacts** takes place continuously such as reducing our noise hindrance and emissions which impact air quality or in terms of preserving resources. Therefore we continue to invest and innovate in more efficient planes and procedures, electric vehicles, new buildings which meet demanding environmental standards or eco-design.



To win and retain customers whose expectations are constantly changing, our two airlines are using new technologies. To develop our customer service culture we have put in place multiple and personalised products, in order to better respond to the diversity of our customers and to make a difference.

Despite the difficulties faced, Air France-KLM has maintained a policy of **internal social cohesion, solidarity and social dialogue** which is vital to recovery. The Group has been able to protect the jobs of its employees and its own know-how, while at the same time addressing the challenges of change and adaptations to global developments.

Our Group is continuing to **contribute to the development of the areas** around our hubs and destinations by creating economic and social value. For example by looking for new business opportunities, training new generations, working with vulnerable communities, supporting humanitarian and development projects and encouraging employee initiatives.

In a complex world we are determined to succeed in a responsible and sustainable way, according to the commitment we made when we signed the United Nations Global Compact.

A handwritten signature in black ink, appearing to read 'PH Gourgeon', written over a horizontal line.

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

A handwritten signature in black ink, appearing to read 'P Hartman', written over a horizontal line.

Peter Hartman
President and Chief Executive Officer of KLM

Challenging dynamics in the air transport industry



As a leader in air transport, Air France-KLM addresses the challenges faced by a sector that is essential to the global economy, but which is strongly affected by global financial, geopolitical, meteorological events and epidemics. The Group plays a part in [contributing to the global economy](#), whilst having to withstand its fluctuations, deal with rising oil prices, adapt to [rapidly changing patterns in demand](#), and above all maintain [the safety of flights](#).

Since 2009 the Group has suffered major losses. It would not have been possible for the Group to maintain its position and standards without resolute and sustainable [cost reduction](#) and changes to its organisation, practices and products. Today, the [restructuring of the products offered to its passengers](#), the strengthening of the [long-haul network](#), the deep-rooted changes made in the [cargo business](#) and the development of [maintenance services](#) are bearing fruit.



Air France-KLM: one Group, two companies, three businesses

The Group is made up of a single holding company and two airlines, Air France and KLM, each of which retains its own brand and identity. Its three main businesses are passenger transport, cargo

transport and aviation maintenance services, for its own fleet and those of other airlines. An overview of the Group's main subsidiaries can be found on page 64.

OUR BASIC STRENGTHS

A strong and balanced network

The Group serves the largest network between Europe and the rest of the world, built around its two coordinated hubs, Roissy-CDG and Amsterdam-Schiphol, also called a 'dual hub system' where smaller flows of European and regional traffic connect with intercontinental flights. Thanks to its geographical locations, the Group plays a key role in the growth of commerce and in European competitiveness.

The strength of the Air France-KLM dual hub system lies in its large portfolio of long-haul destinations with only limited overlap between both hubs in their total offer: 70% of long-haul destinations and 60% of medium-haul destinations are served by only one of the two carriers. Where there is overlap, there is either a very large market or a double time channel, starting the journey from one hub and returning via the other gives the passenger many more travel options. The Group and its partners are active across all continents and have a balanced network, as no single market represents more than a third of turnover.

A strong and global alliance

Air France and KLM are active members of the SkyTeam alliance, the second largest alliance in the world by market share. This rapidly expanding alliance serves 898 destinations in 169 countries. By optimising synergies between each of its members, SkyTeam strengthens the Group's product range in terms of its network and the services it offers to its customers, such as linked loyalty programmes.

An efficient fleet

The Group operates one of the youngest and most modern fleets in Europe, with 593 aircraft with an average age of 9.9 years. The fleet is known for its fuel efficiency and optimal network fit, representing a key resource for the Group's sustainable development. For more fleet information, see page 64.

AIR TRANSPORT ISSUES AND OUR CHALLENGES

Contributing to the global economy, withstanding its fluctuations

Air transport is one of the drivers of the global economy, which it supports by promoting growth in trade and meeting the demand for mobility. The industry also suffers directly, and sometimes badly, from the consequences of international economic fluctuations. With a presence in all continents, air transport is always one of the first sectors to be affected by events: from wars and epidemics to hurricanes and volcanoes.

Air transport was hit hard by the worst downturn in its history in 2009, with a 12% decline in passenger numbers and a 25% decline in cargo at the height of the crisis. 2010 saw a brief improvement before another slow-down in early 2011. As a reflection of the global economy, the sector's recovery is proving to be slow and uneven across the world's major regions, furthermore, competition is intense and margins are small.

Dealing with very specific constraints

Volatility and the long-term upward trend of oil prices weigh heavily on the results of airlines. According to the International Air Transport Association (IATA), the recovery in world traffic recorded in 2010 is under threat from soaring oil prices seen since the start of 2011.

Over the past ten years the cost of fuel as a percentage of total air transport costs has risen from 13% to 29%, with every dollar increase in the price of oil resulting in an additional cost of \$1.6 billion for the industry.

FOCUS

THE GROUP'S MOBILISATION IN JAPAN

Air France and KLM have close, longstanding ties with Japan, the two airlines serve Tokyo and Osaka with 38 weekly flights. Since the beginning of the catastrophe that hit Japan on the 11th of March 2011, teams in each airline were mobilised to ascertain how to safely continue flight operations to and from Tokyo, as well as to adapt capacity to meet strong demand for travel on the route and put in place special commercial conditions to suit the circumstances.

Air France and KLM monitored the situation throughout the catastrophe thanks to their respective crisis management systems. Measures put in place jointly by Flight Operations, the combined stations organisation in Japan and the Operations Control Centres have ensured the safety of services to Tokyo and Osaka. Although direct flights were maintained from Osaka, Air France flights from Tokyo went via Seoul, in order to ensure maximum possible flexibility, should the situation in Tokyo deteriorate. KLM operated directly to Tokyo with an intermediate stop in Osaka on the return leg for the same reason. Schedules to and from Osaka remained unchanged for both Air France and KLM.

Regulations that aim to reduce air transport's impact on climate change have also resulted in additional burdens. The sector generates around 2% of total man-made CO₂ emissions, a proportion often overestimated by the public at large, nevertheless airlines still need to play their part in the fight against climate change, which is why they will be integrated into the European Emissions Trading Scheme (EU-ETS) from 2012. However, further steps are necessary to address aviation emissions globally and accomplish a level playing field internationally in order that the same rules apply to all operators.

Airlines face ever-stricter regulations, particularly those concerning consumer protection and security, which in turn mean more restrictions for customers and higher costs for carriers. Unlike rail transport, aviation funds all of its own infrastructure costs, from ground to flight. It also pays for security, safety and soundproofing (40 million Euros for Air France and KLM) measures for communities living close to airports.

Operating routes in regions of the world which face political uncertainty or dealing with unpredictable natural events requires flexibility and an ability to deal with fast changing environments, to offer appropriate solutions and continue providing quality service.

Adapting to new global developments

The world's air transport is increasingly globalised and is now organised around three broad alliances which bring together the main European, American and Asian airlines. Various forms of international partnerships, such as joint ventures, mergers and equity acquisitions are intensifying this trend.

globally, mainly driven by emerging countries, and an average of 4.4%¹ in Europe, creating new travel opportunities. Also demographic change, and in particular ageing populations, will lead to new consumer trends in the airline sector.

The challenge for air transport is to consolidate its position and seek out new growth opportunities in expanding markets. Annual passenger growth until 2029 is forecast at an average of 5.3%¹

The economic crisis has profoundly changed consumer behaviour, with price considerations becoming a more important choice factor than ever before. Although the post-crisis situation is increasing the importance of other elements such as frequency, service, loyalty

¹ Source: Boeing Market update - February 2011

tools and transparency as decision factors, airlines must meet expectations by adapting their business models and product ranges. Restructuring will impact on all three aviation business lines; new products for passengers, reducing the share of all-cargo aircraft to transport goods and making changes to maintenance to enable it to compete with new operators.

When it comes to global climate change, reducing CO₂ emissions continues to be an important challenge; a shift towards low carbon fuels is crucial. Although good progress is being made on technical certification, the availability of sustainable biofuels remains a challenge. An integral industry approach is necessary including the right legislation and incentives.

FLIGHT SAFETY AND SECURITY: OUR ABSOLUTE PRIORITIES

Ensuring the safety of air transport on the ground and in the air

Safety is the main requirement for all customers and staff and an absolute priority for Air France-KLM. Flight safety depends not only on equipment and procedures, but above all on the professionalism, commitment and attention of all of employees. This is why both airlines go beyond the relevant national, European and international regulations and are continuing their IOSA (IATA Operational Safety Audit) registration by the IATA, which covers all operational management and control systems that contribute to safety procedures.

KLM is actively involved in several initiatives led by the Dutch government to strengthen safety regulations around Schiphol airport, and to adopt stricter regulations. Furthermore, KLM is participating in setting up additional government policy regarding high obstacles in the Schiphol area to ensure that obstacle density is not increased and thus flight safety risks are minimized.

Through their Safety Management System (SMS), both airlines ensure continuous monitoring, analysis and management of security risks. This initiative involves all employees (flight, ground, technical & commercial). To ensure continuous improvement is made, members of staff are encouraged to report any incident which could have an impact on safety, with no risk of sanction for the person who signals the incident. Furthermore, the Group constantly adapts and updates its training programmes in order to ensure the highest levels of competence among its staff. Crisis management prevention plans are in effect at all of the Group's destinations and simulation exercises are carried out several times per year.

RIO-PARIS ACCIDENT: A DECISIVE BREAKTHROUGH

Since the accident which occurred on the 1st of June 2009 on its Rio to Paris flight, Air France has done all it can to help the families of missing passengers and crew by supporting efforts to find the aircraft in the Atlantic Ocean. At the beginning of May 2011 the two flight recorders of the A330 flight were finally recovered following a particularly difficult operation, accomplished thanks to the determination shown by authorities, Airbus and Air France.

Analysis of the data from these recorders should allow investigators to reconstruct precisely what happened on the flight and determine the causes of the accident. Not only is this a legitimate demand from the families, it is also vital to the aviation community in order to prevent another such a tragedy.

FOCUS

EXTERNAL ASSESSMENT OF AIR FRANCE FLIGHT SAFETY

In December 2009, Air France launched an external evaluation of its flight safety. The assessment was carried out by eight independent, recognised, international experts and examined all internal operations, decision-making processes and procedures that could have an impact on flight safety. Following the study, which lasted for the whole of 2010, the experts presented 35 recommendations to Air France, as part of a continuous improvement process involving flight safety carried out by the company.

Air France promptly implemented the first experts' recommendations; these included for example the creation of a flight safety committee within Air France's Board of Directors, and by launching an in flight observation initiative, LOSA (Line Operations Safety Audit), a first among major European airlines

Integrating security into all of our operations

Faced with the threat of terrorism and criminal activity, the Group is continuing with heightened security procedures, which aim to ensure the protection of its customers, staff and assets. This operation includes various measures such as inspections of aircraft, inspecting baggage, random checks on personnel, and checks on passenger boarding and disembarking. These procedures, which are subject to strict regulation, are carried out with a constant concern for the privacy of passengers.

Air France-KLM's specific skills in managing passenger flows, flight routes, and its worldwide organisation enables it to play an important role in the work of international authorities responsible for risk prevention. The Group has participated in a working group of IATA, International Civil Aviation Organisation (ICAO) and the World Customs Organisation (WCO) to standardise passengers' personal data required by Governments. Air France and KLM also play a leading role through their leadership in IATA Security Expert Group in fostering the concept of Checkpoint of the Future, which emphasizes the need of better use of intelligence and information in the screening process in order to detect bad intent rather than bad objects by deployment of behavioural analysis, passenger differentiation and introducing unpredictability.

Air France-KLM is working directly with intelligence agencies, and several other governmental agencies on the implementation of security measures in the overall network. Air France for example, is working directly with the *gendarmerie du transport aérien, la police aux frontières* (French Air Transport Police). Air France is educating and training all of its employees on these issues in order to guarantee the best possible protection for its customers and staff in almost

100 countries and 200 cities across the world. In addition, 50 experts are charged with ensuring the security of flights on a daily basis and when necessary putting in place additional security measures at certain destinations. In 2010, KLM placed particular emphasis on security issues through a monthly awareness campaign amongst its staff.

POSITIONING THE GROUP IN THE WORLD OF TOMORROW

Financial results 2010-11

The 2010-11 financial year was marked by a positive result from current operations of €122 million versus a loss of €1.28 billion at March 31, 2010. This improvement was due to the strategic measures implemented in 2009-10 principally in the passenger and cargo businesses, and to the economic recovery. Net income-Group part stood at a positive €613 million at March 31, 2011, after the 1.03 billion capital gain on the sale of the shareholding in Amadeus. In the 2010-11 financial year, Air France-KLM's turnover stood at €23.6 billion (+12.5%). The passenger business was dynamic, with

revenues up by 11.3%, staging a strong recovery despite numerous exceptional events. The Group carried 71.3 million passengers and the passenger business saw a 1.1% increase in traffic for stable capacity (-0.1%).

The second of the Group's businesses, Cargo, returned to growth and profitability earlier than expected, with traffic up by 2.5% for virtually unchanged capacity (-0.3%). Aircraft maintenance's revenue was up by 7.6% due to high value-added dynamic activities such as engine and component support.

Ongoing development at Air France-KLM

The comprehensive restructuring which has been ongoing since 2009 is beginning to bear fruit, both in passenger and cargo transport. Employees' efforts to adapt and structural changes have resulted in an improvement in unit revenues and a reduction in costs, excluding fuel. Adjusting capacity to match demand has enabled to maintain high load factors of over 80% on flights.

Restructuring short and medium haul products

To meet the needs of European point-to-point passengers and to connect Europe to the rest of the world through the efficiency and complimentary nature of its two hubs, the Group has adapted its offer in terms of timetabling, services and fare structure, and has rolled out a series of initiatives to reduce its unit costs.

Developing a solid long-haul network

To embark upon the road to recovery, the Group is expanding its long-haul business, which represents the cornerstone of its growth and relies upon the use of a more efficient fleet with the arrival of Airbus A380s, the densification of Boeing 777-200s, the choice of Airbus A330-300s and at KLM the conversion of two combis (mixed cargo-passenger use aircraft) into full passenger service.

Aside from resuming or increasing the number of flights, other factors are also contributing to strengthen the Group's competitiveness, such as the rolling out of new destinations, the launch of innovative technologies aimed at customers and the signature of partnerships and joint ventures such as the agreement between Air France-KLM and Delta Airlines.

Streamlining Cargo

As the world's leading international air cargo operator, the Group was hit hard during the economic crisis. By reducing its cargo fleet from 25 to 14 aircrafts, it has restructured its business to decrease its exposure to economic cycles. The Group's cargo offer is now based upon more efficient use of the entire network and the number of destinations served, and passenger and combi aircraft cargo transporting capacity. This strategic reorganisation requires comprehensive changes to operational processes and commercial policy. In 2010-11, the share of passenger and combi aircraft used to transport cargo represents 67%, against 33% for all-cargo aircraft. In 2007-08, these figures stood at 54% and 46% respectively.

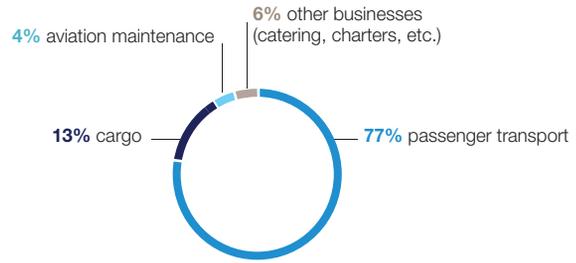
Providing efficient maintenance services

Safeguarding its leading position in aviation maintenance in a highly competitive environment requires the Group to meet the expectations of its customers with speed and flexibility. This is why Air France Industries and KLM Engineering & Maintenance have developed a worldwide maintenance network based on the know-how developed in Paris and Amsterdam.

Outlook for 2011

The short and long-term actions implemented by Air France-KLM should enable it to better manage the post-crisis situation, and continue to anticipate external uncertainties. In all this, investing in sustainability remains key by further integrating CSR into the business and operations. This enables the Group to grow in a sustainable way and to be prepared for the future.

Breakdown of revenue by business line

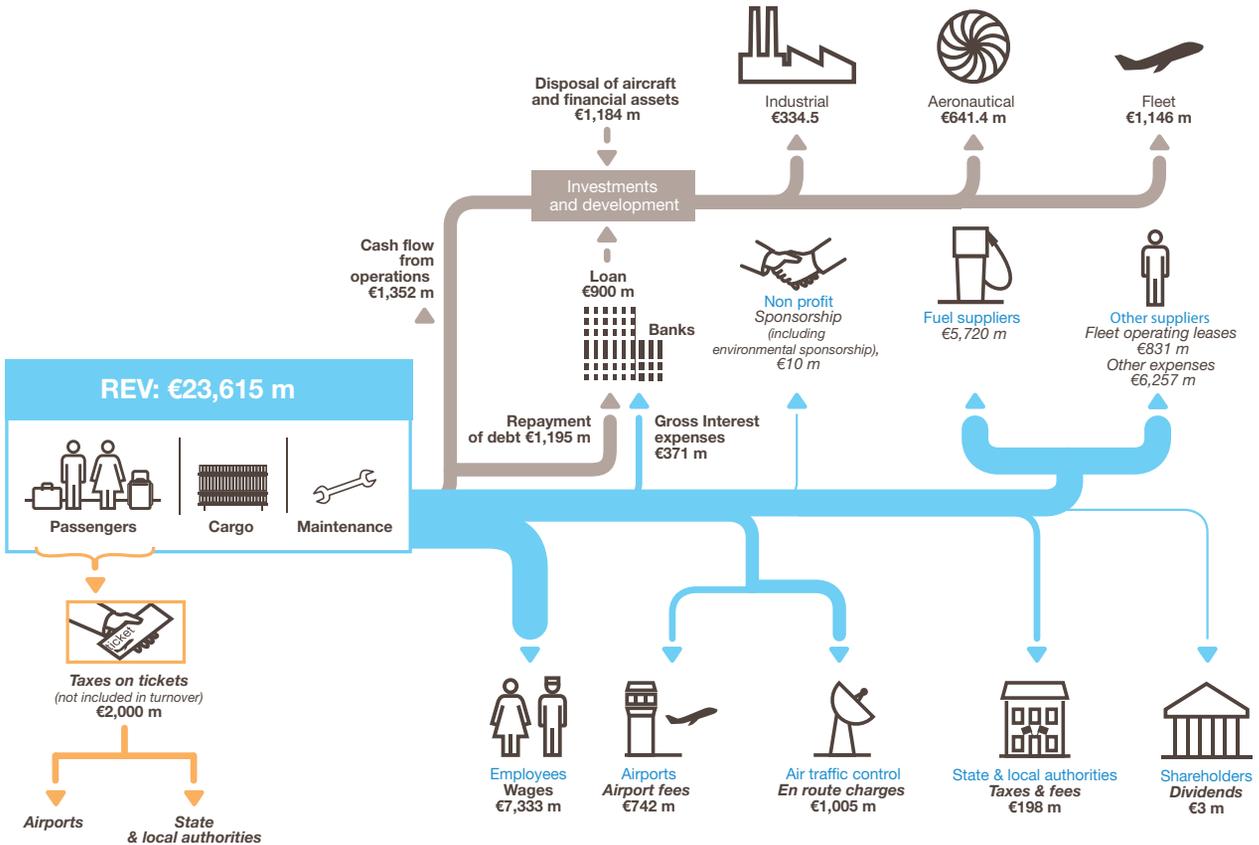


DISTRIBUTION OF THE GROUP'S REVENUE

The Group's results are distributed among its main stakeholders, such as employees, suppliers, shareholders public authorities and local communities. The table below gives a summary of the flow of Group earnings to various stakeholders in € millions.

On top of the price of tickets, customers pay numerous taxes which airlines collect on behalf of governments, supervisory bodies and

airports. In 2010-11 taxes stood at €2 billion for Air France-KLM. These are used to fund government duties, including running civil aviation, security expenses, and the development of airports, fire-fighting and salvage, preventing bird strikes, environmental checks, as well as specific taxes including money collected in France for the 'Solidarity Fund for Development'.



Our approach to corporate social responsibility



Aware of its responsibilities and the issues affecting the shared growth of its business, the Air France-KLM Group has chosen to place CSR at the heart of its business strategy and throughout its organisation, thereby giving an important role to dialogue with its stakeholders.

Fulfilling the Group's corporate responsibility and ensuring the legitimacy of its operations means achieving profitable growth, acting decisively to limit the negative impact of its activities, protecting the environment, providing customers with innovative products and ever more personalised services and creating social value. To meet these challenges, Air France-KLM's approach to CSR is based on five current key issues, and ensures collaboration with its partners in the supply chain.

Based on its CSR achievements, Air France-KLM has been recognised by various non-financial rating agencies as a frontrunner in CSR.



Our vision

By mobilising all of the Group's resources and employees and through a step by step approach, we set the standard in terms of CSR and strive to remain frontrunner in the airline industry.

Our commitments

Our CSR commitment is based on working in line with fundamental rights, as contained in international principles:

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

The Group's CSR approach is underlined by the signing of public commitments at both international and national levels.

- The Group is a signatory of the United Nations Global Compact and is committed to respecting and promoting its ten principles in the areas of human rights, labour standards, the environment and the fight against corruption;
- In France, Air France is a signatory of the Diversity Charter, the Charter for Corporate Commitment to equal opportunities in the State educational system, and the Good Parenting Charter;
- In 2010 in The Netherlands, KLM signed the Sustainable Supply and Corporate Responsibility Manifesto, which aims to support the market for sustainable products and services and to encourage other businesses and suppliers to commit to this path.

OUR CSR STRATEGY

Setting the standards

Our CSR ambition is laid out in the Air France-KLM Corporate Social Responsibility Statement of 2006, in which the Group outlined its commitments to environmental protection, social equity and local development. The CSR statement was strengthened in 2007 with the adoption of the Climate Plan (see page 23) and then in 2008 with the signature of the Social Rights and Ethics Charter (see page 51)

by the Group's European Works Council. Several in-house charters supplement these commitments, including the Air France-KLM Sustainable Development Charter for Group suppliers, the KLM Code of Conduct, the Anti-harassment Charter and the Block Release Training Charter at Air France.

Integrated at every level

The Group intends to make sustainability an integral part of its operations, by integrating CSR within all divisions and at all levels. The 'Embark' plan was presented at the end of 2010 and lays out the Group's medium term strategic vision, putting CSR and our commitments to stakeholders at the heart of its priorities.

At KLM Executive level a CSR council has been established, which meets every quarter. This Council is made up of several executives and senior managers to give advice on CSR policy to the Board of Directors and Executive Committee.

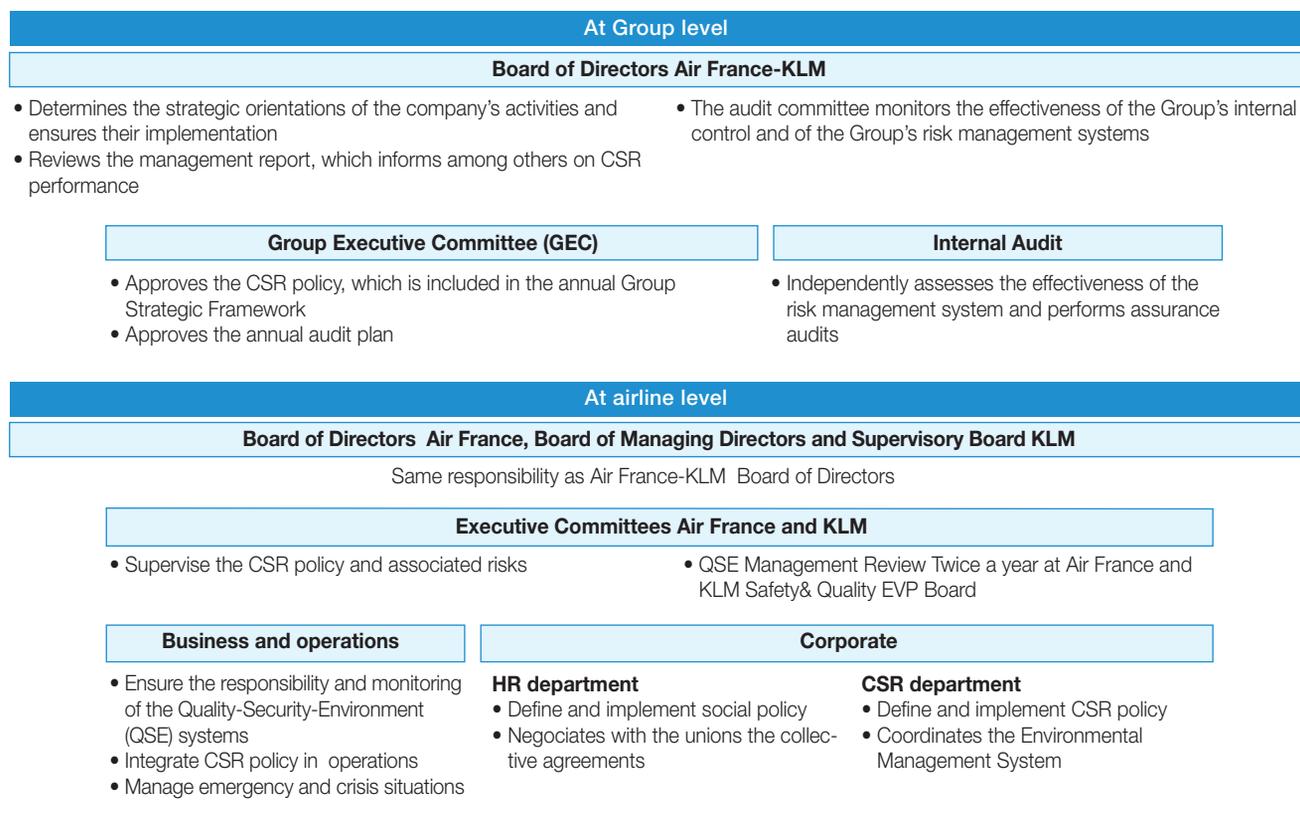
At executive management level at Air France the Executive Vice President, who is a member of the Executive Committee, is responsible for CSR management. At KLM this is guaranteed at Board level. The Air France and KLM CSR departments are responsible for policy and deployment in each organisation, from senior management priorities to implementation via unit action plans.

Air France and KLM have built CSR indicators into senior management targets: occupational safety performance for operations managers at Air France, and CSR targets in the variable remuneration of all senior executives at KLM.

At Group level a strategic CSR meeting with executives of both airlines takes place twice a year.

Finally, the risks and challenges related to CSR are integrated into the Group's three-year strategic plan. The internal audit division has carried out several audits in the field of CSR, such as safety in the workplace, training, Air France and KLM CO₂ calculators and the risk of conflicts of interest in the purchasing department.

CSR governance and implementation are explained in the organisational diagram below.



Managing and monitoring CSR performance

For over ten years, the introduction of management objectives and plans for continuous improvement in the Group's strategy has been based on the ISO 14001 standard. The two airlines are certified for all of their relevant activities, both in their facilities in France and The Netherlands and onboard their aircraft.

In 2010, Air France Industries (AFI) aimed to integrate ISO 26000 guidelines into its processes for CSR and an evaluation was carried out in November 2010. AFI is the first Aviation Maintenance operator to have incorporated the guidelines of this new international standard into its operations.

In 2009, KLM established various CSR performance indicators in 5 key areas covering compliance, innovative performance and stakeholder engagement. These indicators measure progress achieved within each division, and facilitate the drawing up and monitoring of action plans.

Since 2006, the Group has disposed of an annual joint reporting system, which is audited every year by one of its two statutory auditors. This auditor checks whether the social and environmental indicators are in line with the ISAE 3000 standard (International Standard on Assurance Engagement). The Air France-KLM CSR report follows the GRI (Global Reporting Initiative) guidelines (see table on page 65).

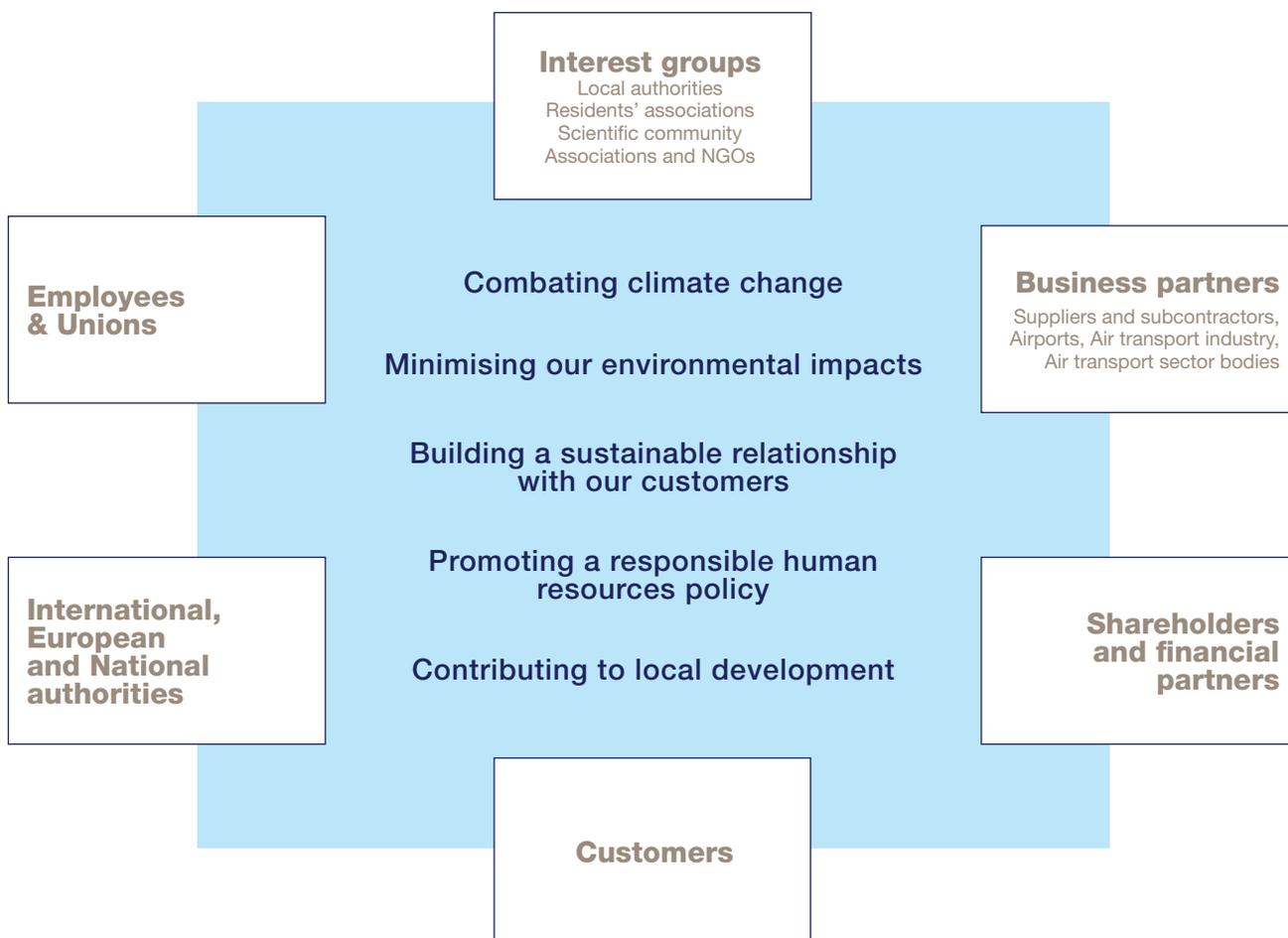
Integrating the expectations of our stakeholders

Listening along and sharing our CSR policy and initiatives are key elements of the Group's CSR strategy, both in terms of identifying CSR issues and in their implementation. The Group incorporates stakeholder expectations when defining objectives, through ongoing dialogue and the materiality test as advocated in the GRI guidelines.

The Group monitors employee opinion in-house through surveys, forums and themed events. This year, the 'Embark' company plan was extended to all levels of the Group, meaning all employees were able to express their expectations concerning CSR.

Externally, the Group has set up various forms of dialogue, such as customer surveys, comments from stakeholder groups, discussions with air transport associations, benchmarking competitors and best practice sharing with other sectors, analysing regulatory trends, and taking into account recommendations from non-financial ratings agencies. (For more information on dialogue with stakeholders, see table on page 62).

The diagram below shows various stakeholder groups, with whom the Group maintains regular dialogue. The results of this stakeholder dialogue are helping to further shape our policy, mapping issues and are taken into account in our yearly CSR reporting.



CORPORATE GOVERNANCE

Applying corporate governance principles to ensure improved governance

Comprising 15 members, four of whom are Dutch, the Board of Directors determines the orientation of the company's activities and ensures their implementation. The Board relies on the recommendations of its specialised committees to ensure the smooth operation of the Group in conjunction with the management. The Board operates according to accepted French corporate governance principles as set out in the AFEP-MEDEF Corporate Governance Code updated in 2010. In application of these principles the Board of Directors regularly discusses and updates its mode of governance:

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

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

Evaluation of the functioning of the Board of Directors

During the 2010-11 financial year, the members of the Board of Directors conducted a self-evaluation exercise on the way that they function. The interviews with the Board directors were handled under the seal of anonymity and were the subject of a presentation and discussion during the Board of Directors meeting of March 23, 2011. The self-evaluation highlighted some positive developments in the functioning of the Board since the last evaluation carried out by an independent firm in 2010: the debates are more effectively focused, the meetings are properly conducted and there is free discussion with a frank exchange of information and ideas.



Women members of the Board of Directors

There are two women members of the Board of Directors, or a 13.3%. In view of the Board director mandates expiring in 2012 and 2013, the Appointments Committee will put forward candidates intended to reinforce the presence of women within the Board in order to comply with the AFEP-MEDEF recommendation of April 19, 2010 and the provisions of the law of January 27, 2011 relating to the equal representation of women and men within Boards of Directors.

Independence of Directors

After having examined the situation of each Board director, the Board of Directors meeting of March 23, 2011 considered that six Directors were independent in view of its ownership structure (notably the French State and employees) and the specific rules governing the appointment of a number of its Board Directors. The Board considered that all the Board directors had competences and professional experience that are useful to the company, whether or not they are considered to be independent in the light of the AFEP-MEDEF criteria.

Internal regulations of the Board of Directors

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

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

Board of Directors and specialised committees		2010-11 status		
Composition of the Board of Directors	12 directors appointed by the General Shareholders' Meeting (of which 2 representatives of the employee shareholders) 3 representatives of the French State appointed by ministerial order Separation of the functions of Chairman and Chief Executive Officer since January 1, 2009			
Directors' term of office	Four years (exceptionally two or three years to ensure the smooth renewal of the Board of Directors)			
Number of meetings and average attendance rate	9 meetings; attendance rate: 88.1% (92.4% excluding extraordinary meetings).			
Training of Board of Directors members	At the time of their appointment or at any time during their term of office, each director may benefit from the training necessary to fulfil their mandate. Such training is organized by the Group			
Board of Directors Committees	Audit Committee	Remuneration Committee	Appointments Committee	
Number of members	6 (of whom 3 independent)	3 (of whom 2 independent)	4 (all independent)	
Number of meetings	4	1	1	
Average attendance rate at meetings	79%	100%	100%	
Annual evaluation of the functioning of the Board of Directors and Committees	Yes (each member of the Board of Directors conducted a self-evaluation based on questionnaire, the anonymously reported findings were presented at one of the meetings)			
Existence of Board's internal regulation, a code of stock market compliance and a code of financial ethics	Yes			
Compensation of the company officers	Publication of compensation modalities and amount paid to executive directors in the Reference Document, the Management Report and on the Group website. Executive directors receive neither stock options nor bonus shares. Should they leave the company they do not receive any special indemnities. Publication of Board directors' fee modalities and their amount in the Reference Document and in the Management Report			

For more information about corporate governance, codes of ethics, business and whistle-blowing procedures, see the 2010-11 Reference Document and www.airfranceklm-finance.com.

Monitoring adherence to ethical principles

Our business conduct rules

As a framework for its operations, Air France-KLM has several guideline documents concerning the way it runs its business and on preventing corruption. Some of these guidelines apply to all members of staff, while others are specific.

The Board of Directors has adopted a Compliance Charter and Financial Code of Ethics. The Compliance Charter imposes rules on trading shares upon company officers, senior executives and some employees of the company in sensitive posts, while the Financial Code of Ethics defines rules concerning financial information, with which they must comply.

In 2008, KLM drew up a code of conduct that sets out the main principles concerning confidentiality and honesty, such as the fight against corruption, conflicts of interest and financial transparency.

To enable members of staff to signal serious matters which they may be aware of, Air France and KLM have set up a whistle blowing procedure which is accessible to all, discretionary and anonymous, should the employee so choose, and with no risk of sanction to the whistle blower.

Compliance with competition law

Since 2007, Air France-KLM has established its own specific compliance policy related to competition law with the publication of its Competition Law Compliance Manual. The Manual is published in three languages, available to all employees. The Manual was updated at the end of 2010 and remains available to all employees.

Further to this publication, several other means of prevention have been developed and made available to the Group's employees.

In 2008, an online training module on compliance with competition rules was rolled out to 8,000 of the Group's employees holding posts that require knowledge of the relevant regulations. Following the online training and a final assessment, these employees signed individual agreements in which they committed to complying with competition rules relevant to their work.

At the end of 2010, a second e-learning module was added to this training, the completion of which was made compulsory for Air France's 12,000 executive employees. Other means of raising staff awareness have also been rolled out, notably a hotline dedicated to competition law issues, and an in-house poster campaign addressing the topic. Finally, a manual outlining guidelines to follow during an investigation by competition authorities will be made available online to all employees in summer 2011.

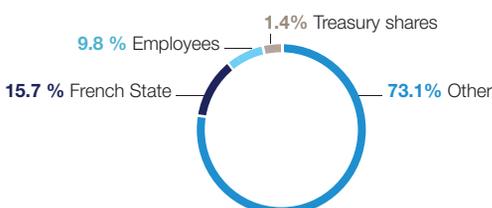
Sustaining quality shareholder relations

Knowing our shareholders

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

As of March 31, 2011, Air France-KLM was 65.2% owned by French interests (compared to 63.4% at March 31, 2010), and more than 75% by European institutions.

Breakdown of share capital at 31st March 2011



General shareholders' meeting of the 8th of July 2010

One share equals one vote	Yes
Number of shareholders present, represented, granting power of attorney to the Chairman, or voting by mail	14,686 shareholders representing 159,620,056 shares
Attendance rate	54.46%

Pursuing regular dialogue with our shareholders

To ensure that its shareholders and investors are well-informed, Air France-KLM uses a range of media and events tailored to different profiles: briefings and press conferences, meetings with investors and rating agencies, a quarterly newsletter for shareholders sent out to all 7,000 members of the Shareholders' Club, and a dedicated website

which features all financial information published by the Group. In partnership with the business press, the Group also regularly takes part in briefings for individual shareholders all over France.

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

Involving the Group's personnel

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

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

Changes in employee share ownership

March 2008	March 2009	March 2010	March 2011
11.2%	12%	11.8%	9.8%

Exercising our responsibility by taking public positions

Air France-KLM is regularly involved in public debate where it explains the reality and constraints inherent to its business, in order to:

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

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

Air France-KLM's Chairman of the Board of Directors, Jean-Cyril Spinetta, is a member of the new 'Aviation platform', which was created by the European Commission. The platform is made up of fifteen people from within the sector and aims to suggest ways of promoting a sustainable future for air transport and a competitive European aviation industry.

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

Climate change	Air France-KLM believes that because by its nature, air transport is a worldwide business, its emissions can only be controlled through a sector-wide, global approach. This approach must be based upon the framework laid out by the Chicago Convention, which itself is based on equality of treatment for airlines operating in the same markets. The Group supports the strategy developed by IATA and adopted by its members. Air France-KLM welcomes the Resolution on Climate Change which was approved by the ICAO during its 37 th conference in 2010, which affirms the ICAO's responsibilities, sets sector-wide targets and guides strategies to be implemented by member states.
Inclusion of airlines in the European Union Emissions Trading Scheme (EU ETS)	Air France-KLM has always supported 'cap and trade', which it considers more effective in both environmental and economic terms than a tax-based system. Revenues generated by governments as a result of auctioning emission rights should be earmarked for sustainable innovation in the aviation industry, e.g by modernising air traffic management or developing alternative fuels. Although it only covers part of international aviation, EU ETS is a first step towards a system that must be applied world-wide. The Group is paying close attention that the application of the system does not distort competition, or drive traffic towards non-European hubs (carbon leakage). Given the opposition and sometimes threats of retaliation from non-European states and airlines, the Group believes that this system should apply only to intra-European traffic for the time being. Its extension to inter-continental traffic should be carried out through agreements between states, according to ICAO recommendations.
Single European Sky	Since the adoption in 2009 of laws paving the way for implementation of the Single European Sky, first steps have been taken regarding the creation of Functional Airspace Blocks (FAB's). The Group hopes that EU Member States will live up to their commitments regarding the local performance targets leading up to effective FAB's. An efficient air traffic control system is essential for guaranteeing flight safety and for cutting costs, reducing fuel consumption and hence CO ₂ emissions.
Alternative fuels	Air France-KLM believes that biofuels represent the most promising way of significantly reducing the carbon footprint of air transport. The Group is financially supporting research and taking an active part in efforts to produce and commercialise biokerosene which are acceptable in environmental, social as well as in economic terms. The Group is calling upon public authorities to provide strong support for research and development on biofuels for aviation. Since the amount of sustainably grown biomass for liquid biofuels is scarce, Air France-KLM is calling for comprehensive legislation that focuses these scarce resources in those sectors that do not currently have an alternative to liquid fuels.
Redefining European transport Policy (in the Framework of the EU White Book and the roll-out of the EU 2020 strategy)	Air transport will remain an essential driver of economic and human development for industrialised and emerging countries alike. The European Commission's White Book has addressed the decarbonisation of the airline sector, and the adaptation of the infrastructure required to meet the mobility needs of EU citizens. Air France-KLM is contributing to the Commission's work on reducing transport-generated hindrances. The Group stresses that it is necessary to guarantee a level playing field for different modes of transport and between operators using the same transport modes, and to take the international dimension of air transport into account.
Air/Rail co-modality	Air and rail are potentially complementary transport modes. Accordingly, the Group supports the use of trains as a means of extending the catchment area around airports and as a potential substitute on select short-haul routes. Access to the rail market should be guaranteed to all new entrants to promote high-quality co-modality. The Group actively pursues standardization and industry solutions to facilitate linking both modes as an integrated, customer friendly product.
Consumer Rights	Customer care is central to the business of the Group. Air France-KLM contributes to the European Commission's work on Consumer Rights and carefully monitors the harmonious application of the rules to all airlines operating in the European Union. It is actively conducting a process to provide the necessary clarity of certain provisions in Consumer regulations, leading to a proper balance between the interests of passengers and airlines.
Grand Roissy	Air France supports government initiatives to promote balanced growth at Roissy-CDG. The environmental measures announced encourage the responsible development of the airport and by modernising its fleet and adjusting its procedures, Air France is participating to the full. Air France is in favour of initiatives to promote access to training and jobs for local people, and to create the best possible conditions for welcoming and enabling businesses to grow. Air France supports and encourages access to the airport via public transport for passengers and employees alike. The airline supports the implementation of coordinated governance for the area and would like to take part in all cooperation and coordination authorities.

ENGAGING THE AIRLINE SECTOR

Working with our subsidiaries

The Group's subsidiaries are involved in CSR policy and implement their own initiatives, with the majority included in the Group's social and environmental reporting. The signature of Air France-KLM's Social Rights and Ethics Charter by all European subsidiaries in 2008 represented an important step in defining common strategy.

Servair, Air France's catering subsidiary, has set its own strategic CSR priorities in order to guarantee healthy and safe products for its customers, to promote diversity and equal opportunities within the company, to reduce its environmental impact and to promote an ethical and responsible approach to local development. In 2010 Servair published its first CSR report.

KLM's subsidiaries KLM Cityhopper, Transavia and Martinair have been involved in the 'Weight & Fuel' programme and have applied this to their own operations. The programme aims to reduce onboard weight. KLM Catering Services carried out a study in cooperation with KLM Inflight Services on KLM's onboard supply chain, in order to come up with responsible solutions for washing the dishes and cutlery used onboard. By reducing the use of road freight through better logistic organisation, these new measures have reduced costs and environmental impact, a benefit shared by all concerned.

CSR commitment within the SkyTeam alliance

As partners in the SkyTeam global network, Air France and KLM share a strong commitment to CSR with other members, with each airline also developing its own CSR initiatives.

In 2008, SkyTeam was the first alliance to sign a CSR charter. During the yearly SkyTeam CSR day, partners share best practices and exchange knowledge.

Currently, Air France chairs the SkyTeam CSR working group and organised a CSR event in Paris in February 2011.

Involving our supply chain

The Group is working closely with its partners in the supply chain; from the stage of product development until the end of life cycle. In the overview on page 11 one can see the key actors in the supply chain who play important roles in our core business so that the Group can offer customers the products and services they want. Examples of key actors are suppliers of fleet & components, fuel, cabin equipment and aviation infrastructure providers. Large financial spend and long term investment are involved which means that working together to optimise processes and come up with innovative sustainable solutions, is of key importance.

Committing to responsible procurement

The Group's primary focus is on creating an integrated approach to procurement as part of a sustainable supply chain. Air France-KLM Procurement seeks to align sustainability, innovation and cost reduction into a global perspective to optimise processes and enable savings. CSR elements are part of current methods for measuring purchasing performance. They are taken into account by all procurement domains, for example in the E&M domain, which incorporated ISO 26000 guidelines (CSR analysis and monitoring of their suppliers).

A leading example of CSR driven purchasing can be found in efforts on biofuel. The Group is actively involved in the creation of a global biofuel market together with its suppliers and several NGOs. Other significant contributions can be found in the areas of inflight services (catering and on-board equipment) and aircraft components. Other examples include the cradle-to-cradle approach (including the waste / recycling process) adopted in the upcycling of old uniforms.

Taking into account the direct and indirect environmental impact of products and services, Air France-KLM selects suppliers based on total cost of ownership. For example, the high volatility of textile prices in 2011 lead to a different approach on fibre eco-design for all textile products (uniforms, blankets, hot towels), comparing global environmental impact (Life-Cycle-Analysis based) in addition to standard assessments based on functionality and price.

Involving and engaging our buyers

The Group actively promotes social responsibility and environmental performance among buyers and internal business stakeholders in charge of formulating product specifications. Buyers need to sign a Code of Ethics to ensure ethical behaviour in their dealings with suppliers. This document is also published on the newly established supplier website, which can also be directly accessed through the commercial airline websites. Furthermore, in the past year a large part of the procurement division has participated in CSR training, either on eco-design, or as part of internal procurement training, as well as in external events on CSR and procurement.

Supplier management

The Group uses a supplier management system to ensure transparency and consistency in its approach and to deal with suppliers.

As a signatory to the United Nations Global Compact, the Air France-KLM Group assesses the CSR compliance of its suppliers, either by asking them to sign up to a Sustainability Charter or provide their own but equivalent CSR statement whenever they respond to a call for tender. Suppliers are required to complete a registration questionnaire

during tender procedures (which is also generally used for supplier risk assessment), and are asked to provide information about sustainability, including environmental licences, location of production sites, compliance with the Air France-KLM supplier charter and in particular with EU REACH regulations on chemicals. The Suppliers Charter is also published on the supplier website, as part of the “CSR Commitment” section. The Group has the ambition to further improve the rate of CSR compliant suppliers. Air France-KLM intends to further integrate and standardise CSR principles in existing audit procedures.

Several products and suppliers have already been selected for their socially or ecologically responsible qualities, including electric vehicles for Hubs, “green” office supplies or wine bottles for voyageurs class in PET to reduce weight onboard.

Our regional and social impact

Suppliers being vital to its success, the Group aims to build strong supplier relations which involves signing contracts that serve the interests of all parties while complying with agreed payment lead times. As a result of its large supply base, Air France-KLM also creates many indirect jobs around the hubs and at its destinations, with over two-thirds of these in Europe. Outsourcing more work to companies that employ disabled workers is a major concern for all departments. Today over €12 million is generated by companies in the sheltered sector through activities as diverse as the distribution of uniforms, the cleaning of onboard blankets and table linen, logistics for engine spare parts or aircraft seats.

CSR ACHIEVEMENTS RECOGNISED

The Group is assessed annually by the major international non-financial ratings agencies, including SAM, Vigeo, Eiris and Oekom. For the 6th year running, the Group has been ranked leader in the aviation sector on the DJSI (Dow Jones Sustainability Index). In 2010, Air France-KLM was named supersector leader in the broader ‘Travel and Leisure’ sector, a distinction it also received in 2008.

The Group is also listed on non-financial indexes: Aspi Eurozone, Ethibel Sustainability Index (ESI) Excellence Global and FTSE4Good Index Series.

Air France-KLM is included in the CDLI 2010 (Carbon Disclosure Leadership Index), which ranks the best twenty French companies on the SBF 250 (see Focus page 25).

In The Netherlands, KLM participates in the Transparency Benchmark, which is led by the Ministry for Economic Affairs and encourages Dutch companies to be transparent on their CSR policy and activities.



FTSE4Good



CARBON DISCLOSURE PROJECT

Combating climate change



Climate change is one of the largest environmental challenges our planet is facing. Aviation accounts for around 2% of man-made CO₂ emissions, but continuing growth in global air transport means this figure is rising.

The effective response to this worldwide challenge must be international. An unprecedented step forward was taken in Montreal on the 8th of October 2010, when 174 member countries of the International Civil Aviation Organization (ICAO) adopted a resolution which includes an objective to cut the aviation industry's CO₂ emissions. This represents a first step towards an industry-wide agreement on reducing greenhouse gas emissions on a global scale.

As a major actor in this combat, Air France-KLM will continue to move forward in order to mobilise the whole sector. For several years, the Group is playing its part in the collective effort to further reduce CO₂ emissions, particularly through our contribution to the development of sustainable biofuels, which will enable us to reduce our carbon footprint and in the future to reduce our dependence on fossil fuels.



Our vision

We aim to reach a sustainable balance between aviation growth and the control of CO₂ emissions by playing our part in the worldwide effort, mobilizing our industry and reducing our own impact.

Our commitments

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

- We support efforts to reach a new worldwide agreement post 2012. The Group has joined schemes to mobilise the aviation sector for a fair contribution to collective efforts;
- We continue to modernise our fleet, contribute to aviation research, and encourage the entire supply chain to cut CO₂ emissions;
- We ask all our staff to work towards ambitious environmental action plans, from fuel saving in our flight operations to cutting emissions on the ground;
- We actively encourage research programmes for renewable energy sources such as sustainable aviation biofuels;
- We participate in environmental protection programmes led by NGOs;
- We provide our customers with transparent and reliable information on their travel-related CO₂ emissions via a calculator based on real operating data and opportunities to offset them.

Our management indicators

AIR FRANCE / objectives	/ schedule	/ main achievements 2010-11	/ status
- 20% CO ₂ emissions for flights to overseas territories based on 2005 levels - 5% CO ₂ emissions for domestic flights based on 2005 level	2012	Targets exceeded thanks to the replacement of B747s with B777-300s in 2008 and by changes to capacity in response to the economic context.	●
3.7 litres/passenger/100km (95 g CO ₂ /passenger/km)	2012	3.8 litres/passenger/100km in 2010	○
- 300,000 metric tons of CO ₂ per year by 2012 - 500,000 metric tons of CO ₂ per year by 2020	2009-20	236,250 metric tons of CO ₂ saved (Fuel plan)	○
60% of ramp equipment fleet to be electronically powered by 2020	2020	45% of ramp fleet electrified	○
KLM / objectives	/ schedule	/ main achievements 2010-11	/ status
CO ₂ neutral growth (2007-2011)	2011	Follow-up of this commitment through the partnership between WWF-NL and KLM. WWF participation in the SkyNRG Sustainability Board	○
20% CO ₂ reduction per ton/kilometre by 2020 (based on 2009 levels)	2020	+1% fuel efficiency as part of the Fuel Awareness programme set up by flight operations	○
Cutting on board weight, with a 2% reduction in the weight of catering equipment.	2011	Many initiatives carried out in the previous year, but the introduction of the light weight trolley has been postponed	●
Biofuels	2011-12	Demonstration of practical use of biofuels in KLM aircraft, provided that sustainable biofuels receive technical authorisation for use during flights	○

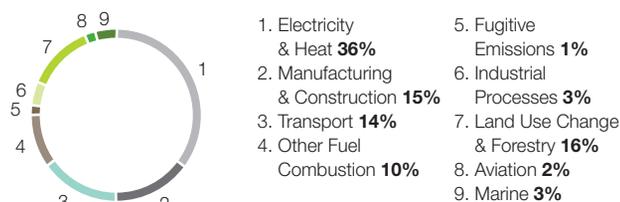
○ Target achieved or exceeded ○ On target ● Target partly achieved

Background: air transport's carbon footprint

Air transport
around **2%**
of global man-made CO₂ emissions

The air transport sector contributes around 2%¹ of global CO₂ emissions and 1.6%² of total greenhouse gas emissions.

Share of air transport industry in global man-made CO₂ emissions.



Source : The World Resources Institute, International Energy Agency and the International Maritime Organisation (2005)

Political and regulatory context

Global resolution for the aviation sector : a historic step forward

A first on a worldwide scale: on the 8th of October 2010 in Montreal, 174 member countries of the International Civil Aviation Organization (ICAO) adopted a resolution to reduce the industry's emissions. The agreement includes a target to improve the energy efficiency of international aviation by 2%³ per year until 2020, it also commits to stabilising net emissions and setting up a market-based regulatory framework for offsetting. Air France-KLM welcomes this resolution, which finally recognises the need for a global sectoral commitment.

Air France-KLM supports effective environmental regulation

As from 2012, the aviation industry will come under the EU Emissions Trading Scheme (EU ETS). Air France-KLM has welcomed this Cap and Trade mechanism, which it believes to be more effective than a straightforward tax, if no competitive distortion occurs. The Group considers that the revenues generated by government as result of auctioning emissions rights should be allocated to the improvement of environmental performance in aviation transport.

This Cap and Trade mechanism will have a significant environmental impact because aviation emissions will be capped at a level below their 2005 average. Nevertheless, its efficiency relies on its full scope implementation.

¹ IPCC Fourth Assessment Report / Technical Summary (<http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-ts.pdf> p.49), 2007 and GIEC-AIE 2005

² Stern Review Chapter 15 (http://www.hm-treasury.gov.uk/media/4/5/Chapter_15_Carbon_Pricing_and_Emissions_Markets_in_Practice.pdf, box 15.6), 2006

³ http://www.icao.int/env/Statements/sbsta-33_Item-6a.pdf

Playing our part in collective efforts

Air France-KLM plays a key role in the International Air Transport Association (IATA) in order to work on solutions to ensure that environmental targets set by the Annual General Meeting in 2009 are reached :

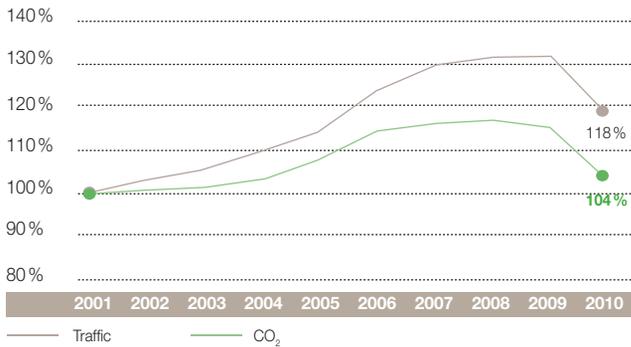
- from now until 2020, to improve energy efficiency by 1.5% per year;
- from 2020, to ensure the stabilisation and neutral growth of CO₂ emissions;
- by 2050, 50% reduction of CO₂ emissions compared with 2005 levels.

Meeting national commitments

Air France signed the Commitments Agreement for the aviation sector at the Grenelle Environment Summit in January 2008, notably pledging to reduce the fuel consumption of its fleet to 3.7 litres/passenger/100km by 2012, the equivalent of 93g of CO₂/passenger/km. In December 2010, Air France's fleet fuel consumption was 3.8 litres/passenger/100 km in 2010, thus still on target.

Our carbon footprint

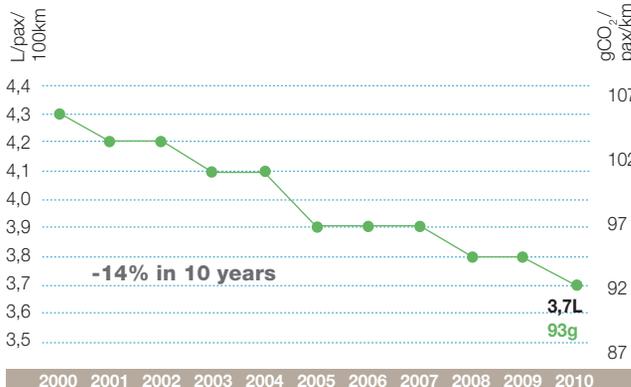
CO₂ emissions and Air France-KLM traffic



Almost 80% of the Group's emissions are produced by our long-haul flights, for which there is no alternative mode of transport.

Group-specific fuel consumption

Group-specific fuel consumption 3.7 litres/passenger/100 km – 93 g CO₂/passenger/km



FOCUS

AIR FRANCE-KLM'S STANCE ON THE EUROPEAN EMISSION TRADING SCHEME

The European Union system for trading greenhouse gas quotas (EU-ETS) will apply to the aviation sector from 2012. Air France-KLM believes that a responsible international aviation industry should contribute to CO₂ emissions reduction. Because it is not technically feasible for aviation to reduce its emissions alone, it will finance reductions achieved in other sectors through Emissions Trading Schemes (ETS). However, Air France-KLM believes that the scheme will only be effective if all airlines worldwide are included. This would also ensure that traffic is not diverted to non-European hubs, which would create carbon leakage and lead to unfair competition. To date, the inclusion of non-European airlines in the scheme is contested and is subject to legal challenge by airlines from non-EU countries. Air France-KLM remains vigilant that the scheme is applied fairly.

FOCUS

OUR TRANSPARENCY AND CARBON PERFORMANCE

In 2010, Air France-KLM was ranked 5th in the Carbon Disclosure Leadership Index (CDLI) which lists the 20 top performing French companies. The Carbon Disclosure Project (CDP) is an assessment carried out on behalf of 534 institutional investors holding over 64,000 billion dollars. The assessment evaluates how well major companies integrate climate change into their strategies, their approach to carbon reduction and their greenhouse gas performance. In 2010, for the first time companies were scored on their performance in managing carbon, which enabled the creation of the CPLI index. Carbon performance is given as a banded score on a scale from A (leading) to D (just starting). Air France-KLM was placed in band B, but strives ultimately to move upwards to band A.

Our emissions calculation and offsetting options

Air France and KLM provide their customers with CO₂ emissions calculators, available on both of their websites and the option to offset these emissions. Air France's partnership with Good Planet supports the construction of biogas storage reservoirs in China and the conversion of organic waste into compost for agriculture in Madagascar. KLM supports a Gold Standard certified wind farm on Bonaire Island in the West Indies, which aims to produce enough renewable energy to power the entire island.

Reducing our carbon footprint

Continuous improvement of fleet efficiency

In 2010, despite the need for careful management of investments to exit the economic crisis in the best possible shape, Air France and KLM moved to the next stage in their fleet renewal programmes.

- Three A380s, one B777-300ER and seven new medium range aircraft were added to Air France's fleet in 2010;
- Thirteen new aircraft were added to the fleet, including one Boeing 777-300ER, one Airbus A330-200, for growth and 11 short hauls for fleet renewal. As of now, all turboprop aircraft have been phased out.



The introduction of each A380 or B777 in Air France-KLM's fleet allows a **15% reduction** of CO₂ emissions

Reducing our fuel consumption

Air France's Fuel Plan and KLM's Weight and Fuel Program, which were both launched in 2008 seek to assess, formulate and promote fuel consumption optimisation initiatives.

The Fuel Plan brings together over 100 fuel-saving measures, which resulted in a saving of 75,000 metric tons of fuel in 2010 (1.5% of Air France's total fuel consumption).

The Weight and Fuel Program led to a 1% fuel saving compared to 2008. To ensure they are aware of their role in this initiative, KLM pilots have received the publication "Fuel Efficiency in Execution 2.0". Also transavia.com has applied an integrated approach to cut fuels costs and CO₂ emissions.

The Quality Innovation Program's 'Fuel Challenge' initiative has been receiving staff contributions since 2008, which have saved aircraft maintenance 2,000 metric tons of fuel.

Optimizing air space

The optimization of air routes and traffic will enable the group to reduce its emissions. This is why Air France and KLM are involved in three long-term projects to improve airspace use: SESAR, AIRE and CDM⁴.

In November 2010, Paris Charles de Gaulle airport was awarded the Airport Collaborative Decision Making (A-CDM) seal of approval, which means that the air traffic control organisation Eurocontrol (CFMU) has delegated control of departures to the airport.

Flight plans to Bangkok have been improved: KLM in partnership with the IATA Regional Coordination Group and Indian and Pakistani authorities have been authorised to use the airspace close to Delhi, which has resulted in a 6 minute reduction in flight time and a reduction of 3 metric tons in CO₂ emissions per flight.

Optimising flying

Air France and KLM pilots apply the most fuel efficient procedures, without compromising flight safety. These are based on ongoing research into flight level and optimum speeds, continuous descent approach procedures, taxiing with one or two engines switched off and negotiating direct paths with air traffic control.

KLM is the launch customer and development partner of Boeing's Innovative Wind Updates Services, which provides real-time meteorological information through a dedicated instrument. The continuous optimisation of the flight, thanks to the information provided, produces an estimated saving of 7,000 metric tons of CO₂ per year. The project was awarded the 2011 Jane's ATC Industry Award for air traffic control innovation.

Cutting weight, improving performance

The lighter the aircraft, the less fuel it burns and the less CO₂ it emits. This is why Air France and KLM have both rolled out weight reduction initiatives. The weight of catering and cleaning equipment of Air France has already been reduced by 15% since 2006.

Design work has focused on standard units, drawers and glass holders:

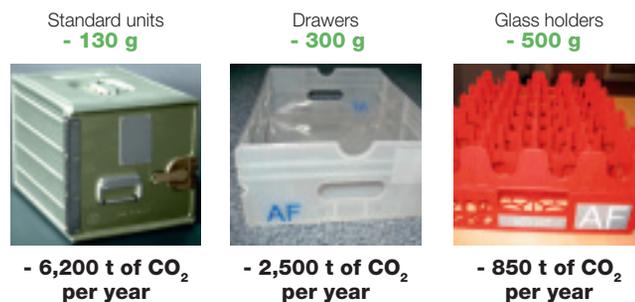
FOCUS

DAILY 'GREEN' FLIGHTS

Since the first transatlantic 'green flight', optimised from gate to gate to reduce greenhouse gas and noise emissions took off on the 6th of April 2010, Air France has been operating daily optimised transatlantic flights, such as the Airbus A380 flight between New York-JFK and Paris-Roissy and the Boeing B777-300 flight between Paris-Orly and the Caribbean. Air France, alongside air traffic control optimises each phase of these flights resulting in 3 to 5 ton reductions in CO₂ emissions per flight.

Once these procedures are ready for all Air France long-haul flights to North and South America, CO₂ emissions will be cut by 135,000 metric tons per year.

These flights are part of the Atlantic Interoperability Initiative to Reduce Emissions (AIRE); a programme run by the European Commission and the FAA, in which KLM will also take part as of this year.



⁴ The Single European Sky Air Traffic Management (SESAR), which aims to provide Europe with more effective air traffic control systems

The Atlantic Interoperability Initiative to Reduce Emissions (AIRE) will put in place 'green' routes to and from the USA (see Focus) and Collaborative Decision Making (CDM) to coordinate various airport divisions.

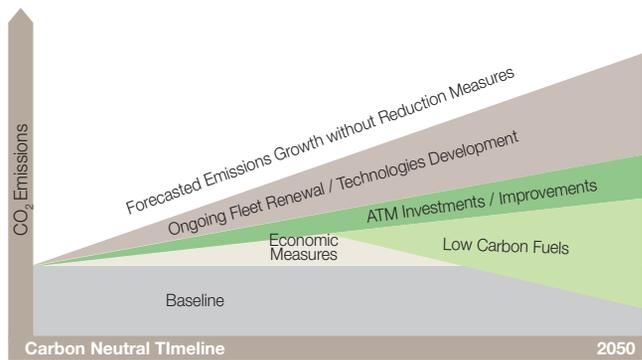
Sustainable alternative fuels

Biofuel is a liquid fuel produced from organic material called biomass; therefore biofuel is a renewable energy. Nevertheless, some biofuels have been criticised in recent years. Air France-KLM is very aware of this debate and is committed to following the developments in this field carefully through various platforms in order to promote sustainable biofuel production and avoid negative environmental or social impacts.

A strategic priority for Air France-KLM

Sustainable biofuels are the most promising route to achieving significant reductions in aviation's CO₂ emissions whilst at the same time providing security of supply and exemption from EU-ETS. They will be essential in achieving Air France and KLM's ambitions as well as for the aviation industry as a whole, which has no alternative to liquid fuels.

Key factors for CO₂ emissions reduction



Source : IATA

As a founder member of the Sustainable Aviation Fuel Users Group and a member of the Sustainable Way for Alternative Fuels and Energy for Aviation (SWAFEA) as well as the IATA and AEA, Air France and KLM have played an active role within the air transport industry to promote the development of sustainable aviation fuels for four years. Since the amount of sustainably grown biomass for liquid biofuels is limited, Air France-KLM is calling for comprehensive legislation and policies that focus on using these scarce resources in those sectors which do not currently have an alternative to liquid fuels. This vision is shared by WWF in their recently issued Energy Report⁵.

The keys to more sustainable biofuels

Through the SAFUG, Air France-KLM signed up to a charter on sustainable biofuels on the 25th of September 2008. The charter was drawn up in partnership with NGOs such as WWF and the NRDC (Natural Resources Defense Council). The Group is also a stakeholder in the work of the Roundtable on Sustainable Biofuels (RSB) and is closely following the Corbey Commission's work in the Netherlands. Air France-KLM recognizes that biomass from waste, crops and forest resources has the potential to provide a renewable source of energy, but careful land-use planning, better international cooperation and governance are essential.

Taking action through practical initiatives

Air France and KLM are committed to using sustainable biofuels as soon as these receive certification (Hydrotreated Renewable Jet Fuel is expected to be certified by ASTM⁶ in June 2011) and become available.

⁵ WWF : The Energy Report. 100% Renewable Energy by 2050

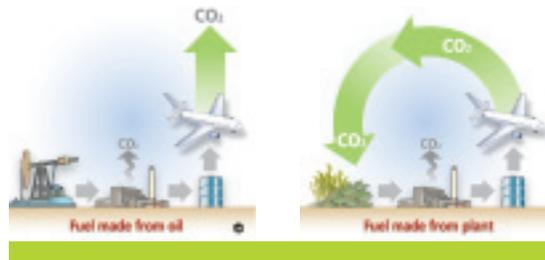
⁶ ASTM American Society for Testing and Materials

1 metric ton
of kerosene burned
= 3.15 metric ton
of CO₂ emissions

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HOW CAN BIOFUELS CUT OUR CARBON IMPACT?

Burning biofuels emits the same amount of CO₂ as fossil kerosene: 3.15 metric tons of CO₂ per ton kerosene burnt. However, it only re-emits in the atmosphere the CO₂ that was absorbed by the biomass during its growth. A study on biomass (camelina) life cycle (growth, harvest, treatment and final use) carried out by Michigan Technological University has shown a CO₂ reduction of up to 80% compared with fossil fuel.



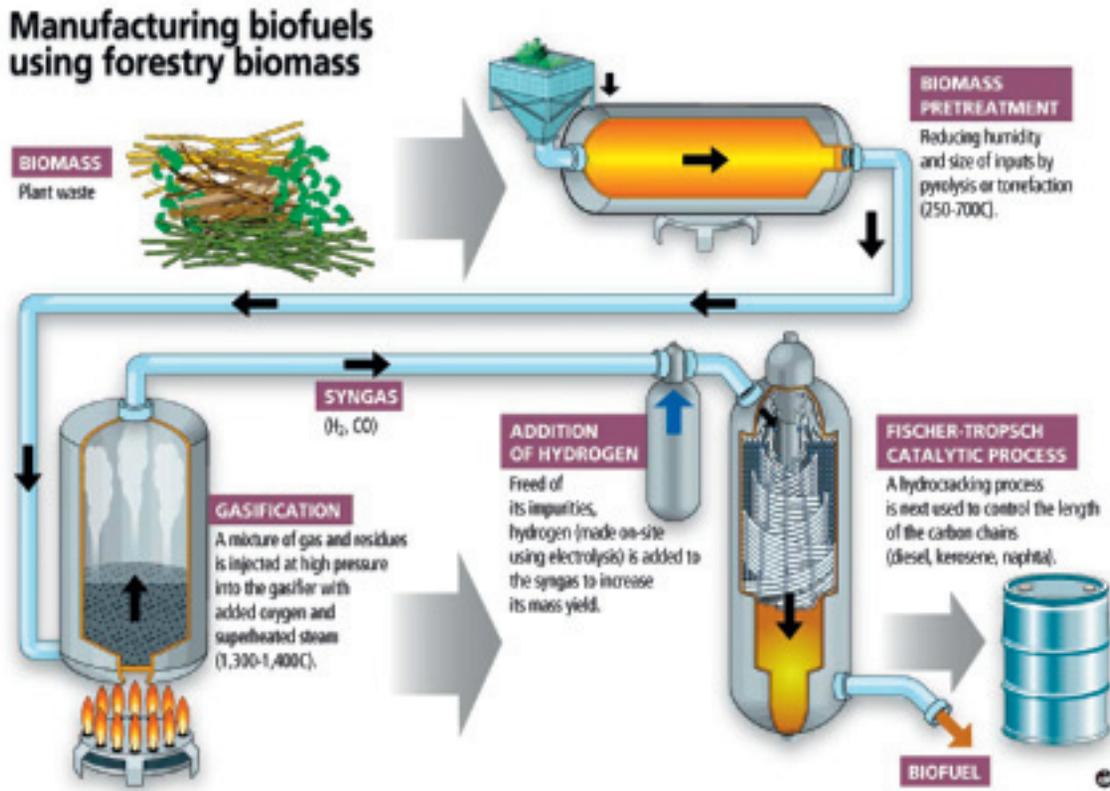
The Road to Sustainable Aviation Fuels

In the biofuel Joint Venture SkyNRG; KLM is working together with partners North Sea Group and Spring Associates on a biofuels project called Well-to-Wing. The Well-to-Wing project aims to stimulate the technical and economical development of sustainable biofuels for aviation from the start of growing the biomass up to the realization of the supply chain at Schiphol Airport for biofuel usage in commercial flights. An independent Sustainability Board, consisting of WWF-NL, Solidaridad and the Copernicus Institute of Utrecht University, will advise SkyNRG on sustainability issues related to the proposed feedstock and estate selections. The project was granted a subsidy of 1.25 million Euro by the Ministry of Infrastructure & Environment. When finalised, the project will demonstrate the use of biofuel on board the KLM fleet.

Producing BtL from forestry waste

Air France is participating in a biofuel from forestry waste demonstration project; a practical and innovative programme headed by France's CEA (Atomic and Renewable Energy Commission). ASTM approved the use of BtL (Biomass to liquid) synthetic kerosene in

mid-2009 when mixed with 50% of traditional JetA1, without requiring modifications to current fuel operations. Air France is set to receive 2,000 metric tons of BtL per year from 2014, and will be part of a company, SYNDIESE in charge of BtL industrialisation.



Participation in climate and technological research



FOCUS

CLEAN ERA

Delft University's Aerospace Technology faculty is working on its CleanEra research project to develop new technologies for an ultra-ecological plane. The research, which is due to last for four years, is mainly focused on emissions reduction and will take advantage of KLM's operational experience. One of the original results is the development of pressure cabins for "Flying Wings", with the constraint of maximizing internal space whilst minimizing structural weight. This is achieved by "multi-bubble" techniques. The findings of the project will provide insights into possibilities for reducing fuel consumption and limiting CO₂ emissions, giving a clearer picture of how the aircraft of tomorrow could look.

Expanding our knowledge on aviation emissions

Aviation not only generates CO₂, but also water vapour and soot particles given off by engines which affect the formation of contrails, the impact of which on the climate we know little about. Air France has been collecting data and carrying instruments on board its planes since 1994 to assist the scientific community with research in this area. An implementation study on instruments used for the IAGOS project on an Air France plane was launched in March 2011.

The next generation of aircraft

Air France contributes to CORAC (Civil Aviation Research Body) along with Airbus, EADS, Thalès, Safran etc. in order to draw up a road map for French aeronautical research between now and 2050, including research on electric and composite planes.

As part of its commitment to working together within the industry from aircraft manufacturers to airlines, the Group supports the work of the ICAO Council's Committee on Aviation Environmental Protection, which is seeking to set CO₂ standards for new aircraft.

Support for initiatives to combat deforestation and protect global biodiversity

Combating deforestation in madagascar

Deforestation is responsible for around 16% of global greenhouse gas emissions, almost equal to all forms of transport combined. Over the last 50 years, the planet has lost around 50% of its forests, equivalent to an area three times the size of Switzerland destroyed every year. In addition to its impact on the climate, deforestation also damages biodiversity as 75% of animal and plant species live in forests.

For these reasons, Air France, in partnership with Good Planet is supporting the WWF-led Programme Holistique de Conservation des Forêts (PHCF), a major project covering 515,000 hectares of forest in Madagascar. Air France has invested €5 million over four years in practical initiatives such as creating protected areas, restoring damaged forests and providing support to local communities in the sustainable management of their forests. The project also includes a research component, which uses a specially equipped plane to estimate the amount of carbon captured by the forest. This project is particularly in the public eye as the United Nations has declared 2011 International Year of Forests.

Preserving biodiversity

Climate change is one of the reasons for the loss of biodiversity. Although the direct impact of an airline company is limited, its indirect impact is quantifiable. This is why Air France-KLM is keen to reduce its impact on biodiversity by strengthening its support initiatives with partner organisations and research work.

Air France is contributing to the SANGHA 2012 project 'Biodiversity in Pygmy Country' by transporting equipment and people involved in this expedition which aims to document biodiversity, a necessary preliminary step in order to study the changes in this untouched part of The Central African Republic.

Last year, KLM launched a partnership with Landscape North Holland, a NGO which carries out conservation work in the Schiphol region. KLM also continued its involvement and participation in the Taskforce Biodiversity, IUCN Netherlands and its "Destination Nature" Programme, which contributes to the protection of biodiversity at its destinations. In 2011 KLM is helping WWF to protect the following projects: Oceans and coral reef at Bonaire, forests in Choco Darien in Colombia and Panama, forests in Tesso Nilo on Sumatra and the coral triangle in Indonesia.

POINTS OF VIEW



The key role of ICAO in reaching a global agreement



Raymond Benjamin
Secretary General of the ICAO

The ICAO held its three-yearly General Assembly between the 28th of September and the 8th of October 2010, during which a resolution on climate change was adopted. What will this change ?

Resolution A37-19 on climate change was recognised by the international community as an unprecedented global commitment to limit and reduce international civil aviation's carbon emissions. The ICAO and its Member States reached an agreement that establishes a solid basis upon which to achieve the sustainable development of international civil aviation over the coming decades. The resolution provides an ambitious action plan, which we are already implementing. The main objectives include: the development of national action plans by Member States to reduce CO₂ emissions related to international aviation, the development and use of alternative sustainable fuels, the definition of principles to design and implement market-based measures, and the setting of objectives to reduce emissions in the long term. The International Air Transport Association (IATA) has congratulated the Member States of the ICAO on having reached this first comprehensive governmental agreement.

What do you expect from airlines and their representative organisations in the future?

These complex issues are not solely the concern of States. I'm proud of the fact that the ICAO and the IATA have been working together for many years on reducing the impact of air transport on our environment, and more recently on the question of climate change. This dynamic cooperation between the ICAO, Member States and the industry is a key factor of this success and I am convinced that it will become increasingly important over the years and challenges.



Bertrand Lebel
Executive Vice President for Organization and Sustainable development, Air France

What do you think of the ICAO's role in the fight against climate change?

Since it was created in 1946, the ICAO has proven its ability to develop and ensure adoption among its Member States of the regulatory framework that has enabled the remarkable expansion of international air transport. Concerning climate change, which is now a major challenge for our industry, we are convinced that the ICAO has an important role to play in achieving ambitious worldwide agreement on limiting air transport's emissions, involving States and other stakeholders.

The resolution that was adopted by Member States, after many long days of negotiation during the recent General Assembly is an excellent example of the role the ICAO can and must play.

Is the Group prepared to use its influence in order to mobilise all stakeholders?

Yes, of course. We have always done so in the past, and will continue to do so in the future. Furthermore, the recent appointment of Peter Hartman as head of the IATA will enable our Group to be even more active and effective in mobilising airlines along with all other stakeholders concerned; authorities, aircraft manufacturers, airports, air navigation, and meteorology services.

Minimising our environmental impacts



Beyond their CO₂ emissions, the **main environmental impacts** of airlines are **noise, energy and water consumption, local emissions and waste production**.

Thanks to pioneering solutions, Air France and KLM are making progress in reducing their impact beyond regulatory compliance.

Despite the economic crisis, the Group continued to **modernise its fleet** in 2010, therefore **cutting aircraft noise**, its major impact **for local communities** close to airports. In order to limit its **energy consumption** on the ground, the Group is using various means, from electric vehicles to the construction of new buildings with the highest environmental standards. By getting involved from the birth of projects to the **optimisation of planes' end of life cycle**, it implements **ecodesign principles**.

To this end, the Group mobilises the involvement and **initiative** of its staff and encourages its suppliers to roll out their own pioneering **environmental projects**.



Our vision

We aim to work on our operations, processes and products to minimize our noise hindrance and other environmental impacts, in order to preserve resources, together with our partners in the supply chain.

Our commitments

In its Corporate Social Responsibility Statement, Air France-KLM is committed to ensuring conformity with environmental regulation investing in levels of environmental protection that go beyond strict regulatory compliance:

- renew its fleet with the best available technologies, while implementing the most efficient procedures to mitigate noise and emissions from its flight operations;
- invest in eco-design by improving the environmental performance of products linked to its services, initiated by in-depth analysis of sites and processes;
- involve employees in environmentally-friendly actions, promoting initiatives while supporting innovations to improve processes;
- engage suppliers and service providers to launch projects to improve their environmental performance.

Our management indicators

AIR FRANCE / objectives	/ schedule	/ main achievements 2010-11	/ status
Set up an application to monitor regulatory compliance	2011	Currently being rolled out, due to be operational in June 2011	⊙
Set up an aircraft greenhouse gas emissions calculation application, based on real operations data	2011	Application now operational, used for calculating 2010's emissions	⊙
Contribute to the reduction of polluting emissions caused by commuting in the Paris region with a 10% shift in transport modes	2012	- Car use: -7% compared with 2007 (to be re-evaluated in September 2011) - Participating in the setting up of an 'Inter-Business Travel Plan' (PDIE) at CDG airport	⊙
Expand activity while keeping noise emissions below 2005 levels (10 major French airports), in the context of the Grenelle Environment Forum	2012	- 31% reduction in noise energy compared to 2005	●
KLM / objectives	/ schedule	/ main achievements 2010-11	/ status
Strive towards sustainable Ground Service equipment, electrified where possible with the remainder powered by sustainable fuels	2020	- 6 Solar powered passenger stairs for small capacity aircraft - Replacement of diesel powered equipment (8 preconditioned Air Units and 6 Fixed Power Units) with electric equipment - Pilot project with electric scooters for E&M	⊙
On average 2% improvement in energy efficiency per year	2020	Energy saving initiatives have improved energy efficiency by 4.8% in total over 2 years (2009 and 2010)	○
Minimise resources used, reduce non-recyclable waste, investigate techniques for internal waste processing	2020	- 6.3% reduction in waste produced by airline operations - 'Waste-to-Energy' project launched at Schiphol - 'Waste-week' at divisions of KLM to boost awareness of waste reduction and recycling	⊙
Reduce noise at Schiphol in partnership with the aviation sector	Ongoing	- Implementation of the Fixed Radius Turn on a specific route for B777s, A330s and Embraers - KLM is contributing €25m to soundproof 1,100 homes (to be completed in 2011). In phases 1 and 2 of the project, 12,200 homes were soundproofed.	⊙

○ Target achieved or exceeded

⊙ On target

● Target partly achieved

Controlling noise hindrance

Noise control is one of our stakeholders' key demands. Air France-KLM included the consideration of this demand in its Corporate Social Responsibility Statement of 2006. The Group is following the ICAO's 'Balanced Approach'. This approach places each stakeholder in a position to contribute to global solutions to improve the environment. The Balanced Approach forms the basis of measures announced at the Grand Roissy Assembly and at the Alders Table at Schiphol.

Major events in 2010: the 'Grand Roissy Assembly' and the 'Alders Table' at Schiphol

Controlling noise hindrance was the key theme at the Grand Roissy Assembly, whose overall objective was to ensure 'the sustainable development of Roissy-Charles de Gaulle airport'. To meet this challenge, the Ministry of Transport has committed to put in place measures taken directly from the Balanced Approach: removing noisy aircraft, increasing flying altitudes, rolling out Continuous Descent Approaches, rationalising the use of parallel runways and changing flight paths to reduce the number of residents overflown. Taken together, these measures will improve environmental noise levels in the area surrounding the airport without reducing its capacity and jeopardising economic growth.



In August 2010 residents, Dutch Ministries and professionals from the airline sector (as represented at the 'Alders Table') successfully reached an agreement on development of the environmental capacity by finding a sustainable balance between growth in number of movements and the ongoing implementation of measures to reduce noise (e.g., Continuous Decent Approaches, further optimisation of flight paths, etc.).

Reducing noise at source

Despite the persistently difficult economic context, Air France and KLM have continued to invest in fleet renewal, adding 13 new aircraft to its fleet; 5 long haul and 8 medium haul aircraft. Air France has launched its fourth A380 and maintained its goal to operate 12 by 2014. The A380 is currently the most advanced plane in terms of noise quality and already meets the noise emissions standards that count for 2025.

Noise abatement procedures

Air France and KLM are heavily involved in the development of noise abatement procedures, particularly in Continuous Decent Approach (CDA). In 2010, KLM played a part in developing CDA, which is due to be rolled out from 2012.

In France, CDA is already in use at Marseille and Orly, thanks to the support of Air France, which will participate in its implementation at Roissy from 2011.

As the first airline in the world, KLM successfully introduced the innovative Fixed Radius Turn for its B737s for a specific departure route. In 2010 KLM also introduced the Fixed Radius Turn on B777, A330 and Embraer aircraft on this route, resulting in even greater noise reduction. On the 7th of April in 2011 the Fixed Radius Turn will be published in an Aeronautical Information Publication, allowing other airlines to use this departure technique. The useful application of the fixed radius technique on other routes is currently being investigated and could potentially result in the usage of the fixed radius turn on three other departure routes.



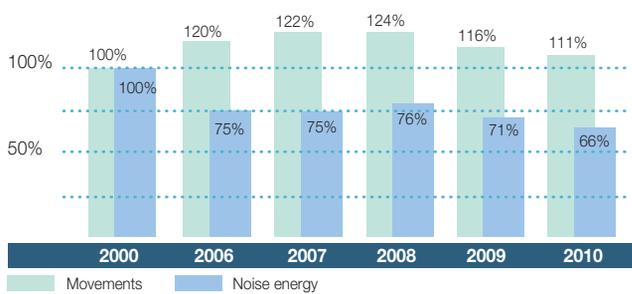
Continuous dialogue with residents and soundproofing contribution

Both airlines are involved in ongoing dialogue with all stakeholders. For many years, KLM has been investing in dialogue and cooperation with residents of the Schiphol area, mainly through the "Alders Table" and at the Schiphol Regional Review Committee (CROS), in which 2 KLM employees work full time.

Most French airports have set up Commissions Consultatives de l'Environnement (CCE) whose role is to drive environmental policy. Air France takes part in CCEs as a member.

In 2010, Air France and KLM paid 40 million Euros, which goes towards soundproofing homes in the residential area around airports.

Air France KLM total noise energy indicator



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AIR FRANCE-KLM'S GLOBAL NOISE INDICATOR

The indicator takes into account all flights operated by Air France and KLM. It uses noise levels as certified by aircraft manufacturers as its baseline. The annual noise output is compared with noise levels in 2000. The uncoupling of the noise indicator and the number of aircraft movements reflects the contribution fleet renewal has made to reducing environmental noise.

Concrete actions

Proactive approach

In France, the 'Grenelle II' law of July 2010 represents a commitment to the environment at a national level. The regulatory obligations it entails, such as producing a carbon audit, publishing an annual CSR report and labelling CO₂ emissions have been anticipated by the Group for many years. In November 2010, the law enlarged the ACNUSA's responsibility from noise to atmospheric pollution in and around airports.

To optimise monitoring and tracking of regulatory compliance, Air France and KLM have software that takes into account all current and future environmental legislation.

Local emissions

Light vehicles and trucks

- Air France's Business Travel Plan, BOUSSOLE, has actively worked to reduce emissions caused by commuting in the Paris region since 2007 and was further strengthened with the setting up of open, shared offices at CDG and Paray (close to Orly), courses on sustainable motoring (eco-driving and safety) and support for car-pooling and telecommuting. This year, the initiative has taken a new dimension with agreement on an 'Inter-Business Travel Plan' (PDIE) at Roissy-CDG.
- The contracts Air France-KLM Cargo signs with road haulage companies now include clauses on monitoring carbon emissions. Air France-KLM Cargo is also looking into reducing its carbon footprint through the use of natural gas-powered trucks, which are currently being tested at Schiphol.
- This year, a group of large French companies, including Air France, reached agreement on the specifications of a licensed electric vehicle. Air France would like to replace its light vehicles in the Paris region with 600 electric vehicles between 2012 and 2014. KLM has made a commitment to the Dutch Government to pilot a project of sustainable vehicles; an example of which was the test with the Airpod.

Ground vehicles and equipment at the airport

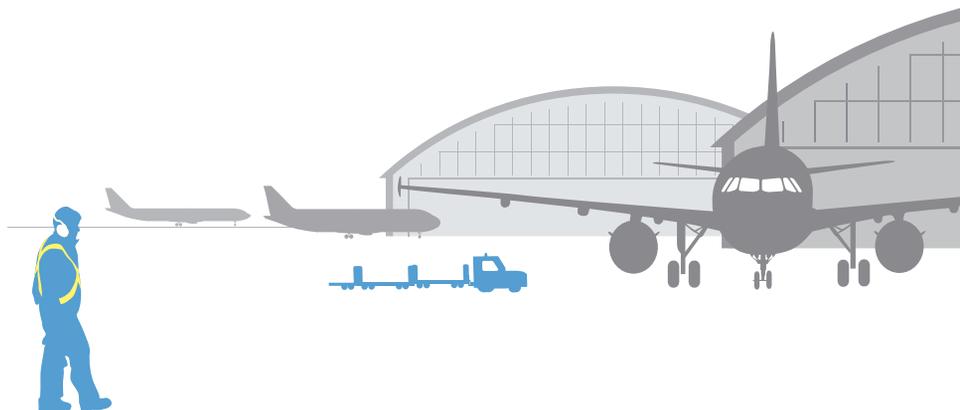
- At the end of 2010, 45% of Air France's ground equipment fleet was electrically powered, in line with targets for 2020. For the purchase of new material, electrically powered equipment has priority.
- In the Air France Ground Handling Operations Division (DGES), the entire current fleet of Ground Power Units has been modified so that equipment shuts down automatically after 15 minutes when not connected to an aircraft. The fleet of loaders has also been modified so that equipment shuts down automatically after 30 minutes of non-usage.
- At Schiphol in 2011, KLM began to restrict the use of Auxiliary Power Unit (APU) equipment which runs on kerosene during ground handling at 16 positions. During ground handling, electric current and preconditioned air are supplied by ground support equipment, this has led to the reduction of local emissions (CO₂, NOx). Additionally, the towing of aircraft using an external power supply has reduced CO₂ emissions by 3,500 metric tons in 2010/2011.

Energy consumption

Commitment to energy efficiency

KLM has voluntarily committed to improve its energy efficiency by –on average– 2% per year between now and 2020. Since 2009, the reduction achieved has reached 4.8%: installing curtains that keep cold air inside saved 365,000 kWh/year, changing washing methods for trolleys saved 156,000 m³ of gas per year and 136,000 kWh per year was saved on cooling computer rooms.

In September 2010, Air France also committed to improving energy efficiency by signing the World Business Council for Sustainable Development (WBCSD) Manifesto for energy efficiency in offices.



Water consumption

- The 'EcoShine' procedure, polishing using a biodegradable, recycled product has been extended to all long-haul aircraft this year. Applying the product requires a minimal amount of water compared with standard aircraft cleaning methods. From now on, all aircrafts in the fleet will be washed at CDG or Orly using this procedure, which will save 8 m³ of water per wash.
- Hose nozzles with a flow rate of 10 litres per minute have been replaced with 3 litres per minute models, which has resulted in an 18% reduction in water consumption at Air France Maintenance's Toulouse site, compared with usage in 2009.

Light Emitting Diodes (LED)

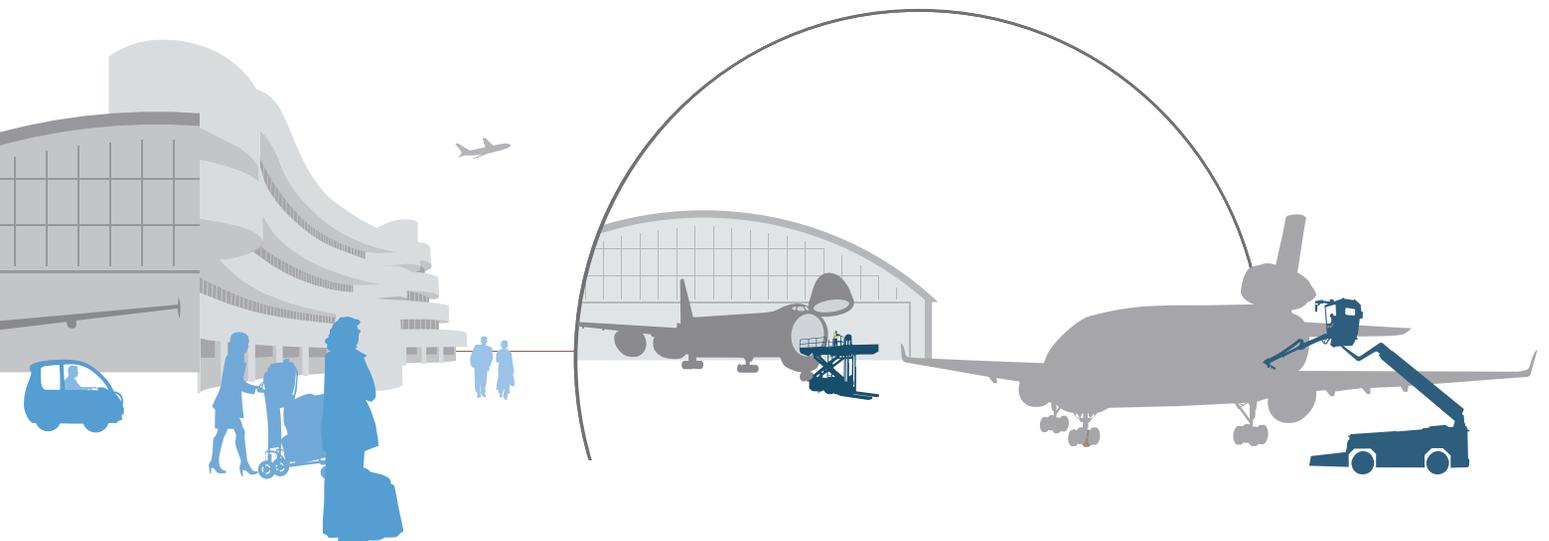
At KLM's Engineering & Maintenance division, a pilot has been launched together with Philips, the Dutch lighting company, with LED lights in the hangars. This reduces energy usage and energy costs, it improves the workplace comfort of employees and increases the total amount of light covering the planes that are undergoing maintenance. Another example of this pilot is the replacement of a mobile 2000 kW per-hour light-set with LED lights that use 12 kW per hour.

At the end of 2010, KLM started to replace all cabin lights – tubular lighting – in its F70s by LED lights that use around 20% less energy, have a longer life span, create less heat and are also 8 kilos lighter, thus saving fuel and CO₂ emissions. By 2011 all 26 F70s should have their lighting replaced with LED cabin lights.

Delivery and opening of the Constellation building

As part of a High Quality Environmental (HQE®) initiative, the new 11,000m² Constellation building at Orly, home to engine overhaul operations is equipped with a heat pump, a rainwater collection system, a solar powered water heater and a bed of plants inside the workshop which absorb oil odours. The building consumes 30% less energy than a conventional building.

Air France-KLM Cargo has also put energy efficiency measures in place: by lowering the temperature from 22°C to 16°C in the cargo store at Orly, and by installing movement detectors to switch refrigerators on and off in the area used to store perishable cargo.



Water and soil pollution

- The product used to wash Air France aircraft, as part of the Ecoshine procedure is non-toxic, non-flammable and biodegradable, it conforms to European environmental directives and means that cleaning teams can work without the need for Individual Protection Equipment. Because the system does not use water, Aéroports de Paris has authorised its use on aircraft at ramps and even on aircraft connected to a jetbridge.
- Since winter 2010, the Ground Handling Operations Division of Air France has been using a de-icing product that is less polluting and biodegrades more quickly. This is also the case for the 100% biodegradable de-icing product that has been used on ground equipment at Orly for the past three years, which is undergoing testing this winter at the CDG hub.
- Before any repairs are carried out on DGES equipment, the equipment is routinely cleaned. Since 2010, the Orly base has been using a new cleaning product whose composition is less harmful to people and to the environment (caustic potash-free), which reduces pollution of water used for cleaning.
- Air France Cargo has put in place measures such as the physiochemical processing of water used to wash batteries and has built a dedicated facility for hazardous merchandise in order to contain flammability and water and soil pollution risks.

Optimising aircraft life cycles

Aircraft dismantling and metal recycling

In September 2010, Air France Industries successfully completed a major operation to dismantle eleven A320 aircraft at the end of their life cycles. A project of this scale required the setting up of a dedicated dismantling facility.

The project involved dismantling almost 10,000 pieces of equipment to be re-used by Maintenance after having undergone stringent testing. It involved the use of around 1,700 litres of hydraulic fluid and the sorting and recovery of more than 200 metric tons of material.

As part of SCRAP program, one of the results of the project was to provide aviation training centres with aircraft parts.



Recovery of scrap metal from aircraft

For the past two years, Air France-KLM's SCRAP programme has been recovering metal from used aircraft parts in order to make new parts or to re-use parts that are still in good condition.

Air France Industries has been able to process 27 metric tons of aircraft steel and alloys in 2010/2011, which means that 40% of every metric ton of nickel produced is recycled. KLM processed 150 tons of scrap last year in this programme. This initiative has also meant an improvement in the carbon footprint over the production cycle of nickel with a 12% reduction in CO₂.

KLM Cityhopper in partnership with KLM E&M, Martinair, Fokker, Rolls Royce and Civil Aviation Authority of Netherlands (IVW), has been working on the re-use of 15 Fokker 100s which were withdrawn from the fleet. Cooperation resulted in re-use of expensive and sensitive components and scarce materials by following the 'cradle to cradle' principle. The use of engines and key components from the F100s in the maintenance of F70s has meant that more than 4 years of maintenance have been saved and dependency on suppliers for these aircraft, which are no longer in production, has decreased. Two of the F100s were donated to the Aviodome and Schiphol, while 13 aircraft will be recycled, providing per aircraft almost 15 metric tons of materials of which 8 tons are pure metals.

Improving our waste recycling rate

Recycling onboard products

Our flights constitute a highly complex product due to the numerous elements that make up the service we provide and the constraints linked to the air transport industry. The items we use during flights need to be collected, stored and transported before they can be recycled. On average, 80% of onboard catering products are recycled. The rate of recycling of NEO packs is steadily increasing and had already reached 40% in November 2010, equivalent to around 10 metric tons of polystyrene over 2 months.

From waste to energy

KLM's catering division is currently working on the 'Waste to Energy' project, to create energy from catering waste, which would otherwise be incinerated. In 2010, dedicated facilities were adapted to the specific needs of the catering division. Testing is currently underway with roll out planned for 2011.

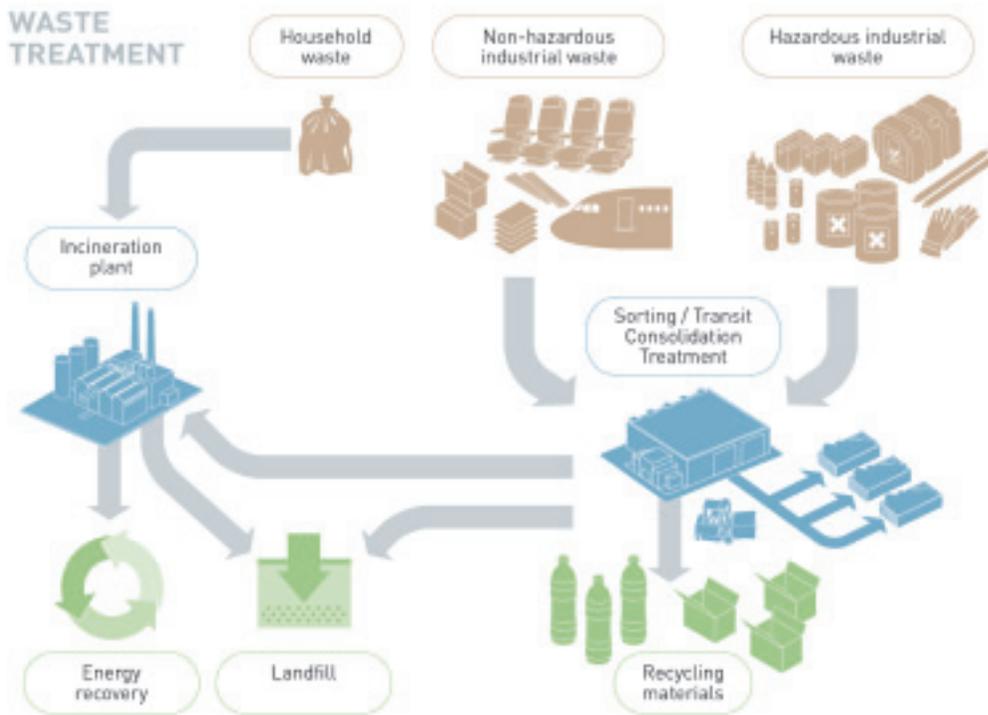
Recycling uniforms

Last year KLM supplied 11,000 female staff with new uniforms designed by Dutch designer Mart Visser. At the same time, around 90,000-kilos worth of used uniforms were discarded. The used uniforms were processed in a responsible way in Twente (The Netherlands), home of the Dutch textile industry, making use of innovative and groundbreaking technology. Together with a group of partners, KLM –being the first airline– 'upcycled' all the used uniform textiles into new raw materials that can be used to manufacture new, high-quality products. By upcycling 90,000 kilos of textiles, at least 500 million litres of water, 4,600 tons of CO₂ and 1 million m³ of natural gas were saved, all of which would have been used or emitted in producing the new textiles. KLM is currently investigating where the material could be used for: Inflight trays are an option.

Recycling carpets

Carpet weight reduction and recycling have been put in place at both companies. KLM has rolled out this initiative as part of a project called 'Carpet Care' alongside the manufacturer and a waste treatment company in order to reuse carpets as a raw material for the cement industry, with a target of recycling 80% of its 35,000 m² of carpet every year.

Waste treatment cycle



POINTS OF VIEW



Continuous dialogue with our stakeholders



Hans Alders
Chairman Alders Table

What is the previous history and role of the 'Alders table'?

In the year 2007 no agreement could be found on the growth of the Mainport Schiphol and the environmental capacity in terms of acceptable hindrance. In addition the set of rules for enforcement at that time had been considered outdated, by Dutch politics even bankrupt. Therefore the Dutch Minister of Transport and Environment requested me to form a platform with representatives of Dutch Ministries, Provincial authorities, local councils, local residents and the airline sector. This later called 'Alders Table' allowed a direct dialogue between stakeholders. In 2008 and in 2010 the parties at the 'Alders Table' jointly advised the Minister on the environmental capacity (growth in number of movements) that included a new set of rules and measures for reduction of noise hindrance. Both advices have been followed by the Dutch Government and the House of Parliament. Having such a joint agreement between parties can be considered quite unique in aviation.

What would be main topic for the "Alders Table" in the near future?

The main topic will be the formation of a joint final advice on the new set of rules that is now being experimented till November 2012. The key question will be whether or not it brings what parties expected and to determine if this new set of rules is also sustainable for the future. As a pre-condition to success the aviation sector will need to deliver on measures for noise hindrance such as Continuous Decent Approaches. This in itself is a challenge given the complexity of runways and air corridors that the Dutch airspace is known for.



Pieter Elbers
Chief Operating Officer, KLM

Why did KLM decide to participate at the 'Alders table'?

KLM recognized that agreement with all parties involved would be conditional to maintain 'a license to operate' and to further develop the Mainport Schiphol. There are different views from and different interests of the local residents, (Provincial) authorities and airline sector at stake. By applying the 'Dutch Polder model' – a setting of discussing matters directly and constructively with all parties around the table– to the environmental capacity at Schiphol didn't make things easier at first. But all interests have been and still are taken seriously, and the right way forward has been found. Therefore the Alders Table was - and still is – considered the best way to move on together.

What would be the key challenge for the future?

Air France-KLM is a privately owned commercial company. Profitability for airlines is not a given at all. In order to be able to continue to connect The Netherlands with the rest of the world as hub carrier at Mainport Schiphol, the right balance needs to be found. Although finding this balance will not always be easy and will be quite challenging, the Group is fully committed to find it in dialogue with stakeholders.

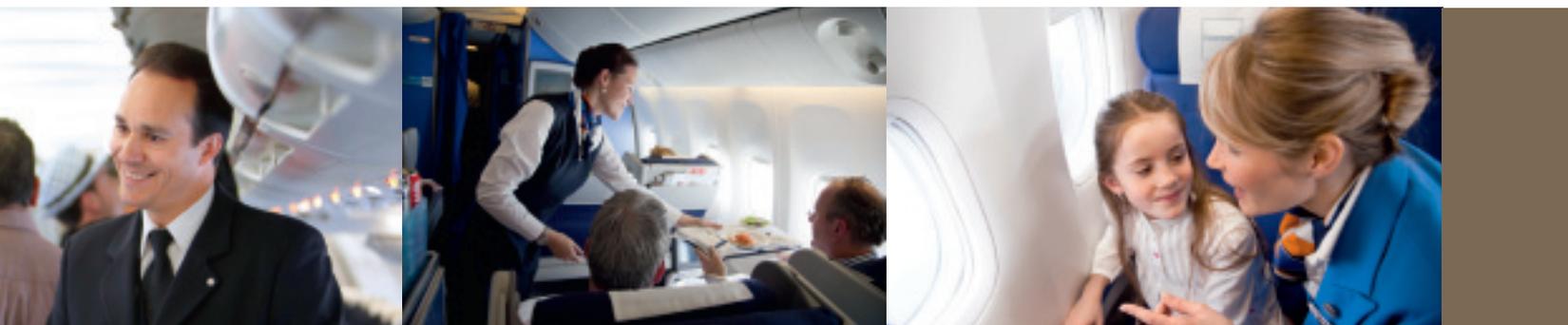
Building a sustainable relationship with our customers



A succession of major global political and economic events has accelerated the pace of change in the world. The way Air France-KLM's **customers behave is changing** too and it's in this context that the Group is facing new situations and challenges.

New technology, the growing importance of social networks, access to information in real time, instant sharing of information and the multitude of choices have made **customers even more informed and independent**. The notions of 'value for money', convenience, speed and service are now more important than ever. Thanks to investments made in getting **to know our customers better** and making their journeys easier over recent years, Air France and KLM are today well equipped to face up to these changes and to continue pursuing their goal of **providing them with better service**.

To gain and keep the preference of our customers, the Group will continue to pursue its commitments to customer relationships and service quality. To meet the ever-growing expectations of our customers, the Group offers **a vast range of solutions**, from the simplest to the most exclusive, to suit all budgets.



Our vision

In a highly competitive environment, making the difference for our customers by building on personalized, convenient, and pro-active strategies whilst integrating CSR in our customer products and services.

Our commitments

Air France-KLM has set itself the goal of maintaining high standards in CSR through commitments made in the Group's strategic plan which concerns its three core businesses: Passenger transport, Cargo and Maintenance.

We have made the following commitments to our customers:

- listening to our customers, making them feel welcome, being available to them and attentive to their needs;
- guaranteeing their safety and health throughout their journey;
- providing reliable, transparent and relevant information;
- respecting our customers' privacy whilst providing personalised service;
- providing assistance in case of unforeseen events;
- offering more sustainable, innovative services;
- involving the customer in our CSR initiatives.

Our management indicators

AIR FRANCE-KLM / objectives

/ main achievements 2010-11

Constantly improving service quality

- roll-out of Air France-KLM Connect, a real-time customer information service
- the multi-departmental feedback analysis system, based on the return of experience has been extend to Cargo customers
- deployment of "customer first" training: 90% of Air France's cabin crew management and 63% of cabin crew staff trained in 2010
- enhance the quality measurement system along to entire service chain
- punctuality: Air France and KLM maintained their leading position among comparable airlines and are transparent on results

Innovate while integrating CSR into our product range

- integrating eco-design principles and CSR criteria within our product and service development
- extended the range of sustainable catering products (e.g. organic, fair trade, animal wellbeing) to 26 new products (KLM)
- integrated CO₂ compensation service on KLM.com
- ISO 26000 evaluation of Air France Industries

Ensuring the health and safety of our customers

- a dedicated medical space onboard the A380
- health advice and service offered before, during and after travel
- food safety verified thanks to ISO 22000 certification at Air France

Interacting with our customers about CSR and involving them in Air France-KLM CSR initiatives

- annual survey inviting Flying Blue customers to give their expectations and evaluation about Air France-KLM CSR initiatives
- involving customers in the updating of sustainability issues for Air France-KLM
- promoting the donation of frequent flyer miles to NGOs
- increasing awareness on climate change
- intensifying use of social media to inform and engage customers

Integrating ecodesign into our product range

Saving weight

The lighter a plane is, the less fuel it uses and the less CO₂ it emits. One kilo of weight saved onboard an Air France plane results in a saving of more than 80 metric tons of CO₂ per year. This is why Air France is replacing the seats on its aircraft with new, lighter models, which will result in annual CO₂ savings of 60,000 metric tons.

In addition to seating, all cabin equipment is included in this initiative, e.g. service equipment (trolleys, atlas containers, stowage, etc.) which will be made 15% lighter on average between 2006 and 2012, with weight reductions (excluding seats) of 125 kg for medium-haul, and 650 kg for long-haul aircraft.

KLM's Weight & Fuel programme is being continuously extended: in 2010, KLM commissioned new, lighter crockery for World Business Class. Designed by Marcel Wanders, it saves 700 tons of CO₂ per year.

Apply life-cycle thinking

By applying ecodesign principles, Air France-KLM is able to take environmental considerations into account at the early stages of a project, and to scrutinize in order to reduce the environmental impact of its product range whilst maintaining the same high quality standards. In cooperation with suppliers, the sourcing of innovative, lightweight and recyclable materials is integrated into new project initiatives.

For example, through working to improve the functionality of products, long-haul meal trays have been re-designed so that they are 'non-slip'. This has meant that the non-slip mat, which was previously required, is no longer necessary and results in a saving of 6 tons of polystyrene per year.

Recycling

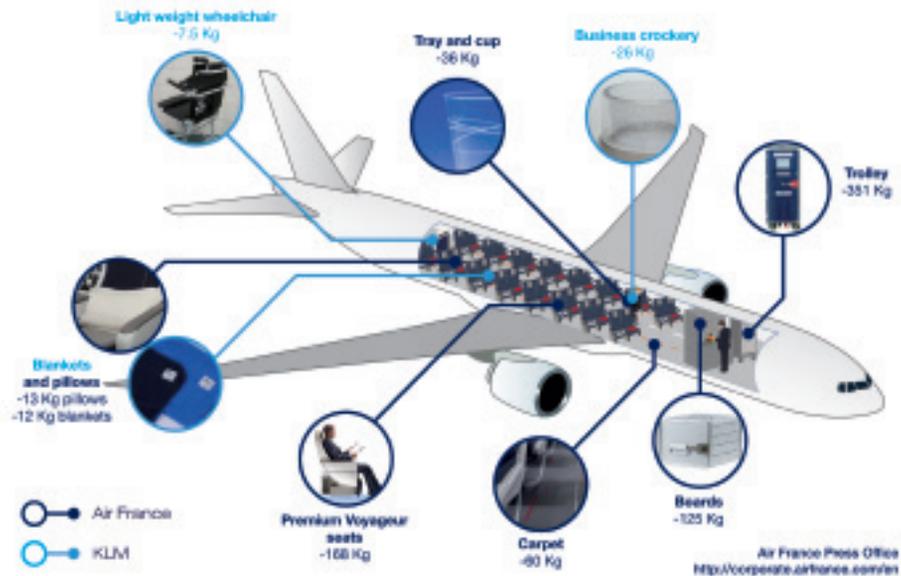
Re-use can give waste a second life and reduce the amount of raw materials used. This is why meal packs on medium-haul Air France flights are made of recyclable polystyrene. Cabin crew collect and sort the used packs, which when recycled by the supplier are used to make Air France cutlery.

Another example is the textiles used onboard Air France planes, 100% of which are recycled and used to produce insulation. In 2010, KLM upcycled 11,000 staff uniforms using groundbreaking technology; the

resulting 90,000 kilos of recovered textiles are used to produce new everyday items (see chapter Minimising our environmental impacts).

Onboard weight reduction on a long haul plane

Some examples for a long haul aircraft (Boeing 777)



Measuring service quality and operational performance

Transparency on operational performance

Operational performance and service standards are measured on a constant basis and are subject to annual performance target contracts and corrective measures.

Air France and KLM publish their punctuality results and flight regularity¹ on the Air France corporate and AEA websites².

This year, air transport was faced by a series of disruptions, which had significant repercussions for customers. Air France-KLM took action to provide information and help to travellers, with thousands put up in hotels throughout the Paris and Amsterdam regions. Significant human and logistical resources were also deployed during heavy snowfall at the end of 2010, when many employees of other departments were asked to assist ground crew.

During the period of severe travel disruption caused by the eruption of the Eyjafjoll volcano, KLM set up a dedicated 'bring me home' helpline, to help stranded passengers get home as quickly and safely as possible.

Obtaining feedback during operational incidents is essential, particularly during such periods. To do this, Air France uses its REX1 platform, which brings together all management departments. The tool facilitates malfunction analysis and decision-making, and helps with implementing action plans to improve service quality.

Monitoring customer satisfaction

Through its 7 Service Standards, Air France-KLM has an open, public commitment to providing quality service. Customer satisfaction surveys cover the entire client experience, from reservation to after-sales care and allow both companies to monitor their customers' perceptions on a daily basis.

Hundreds of 'mystery customers' assess compliance with Air France-KLM's 7 Service Standards and all customer-facing staff undergoes specific training. For example, 90% of cabin crew management and 63% of crew staff have been trained 'customer first' in 2010.

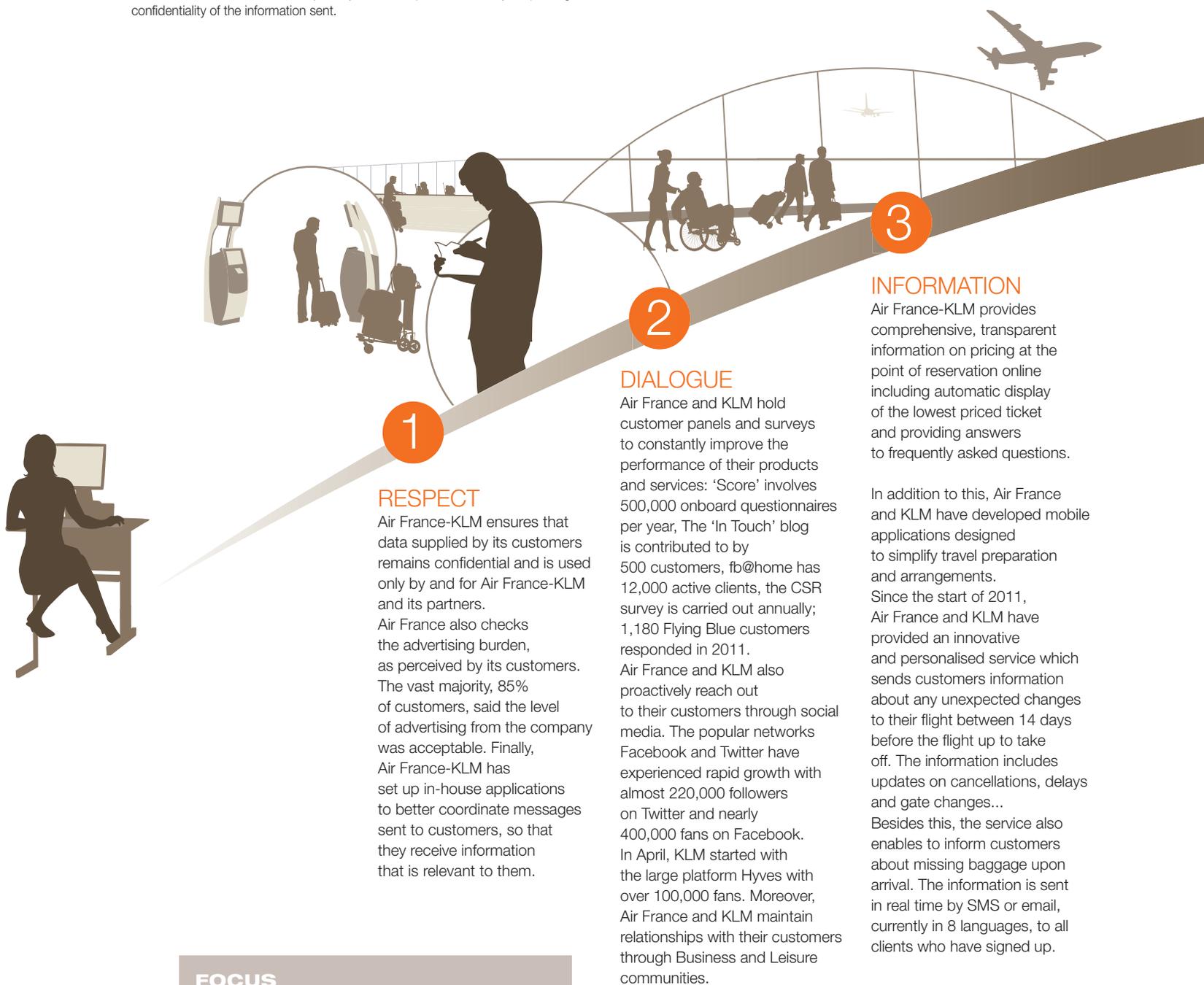
¹ Regularity: percentage of flights performed compared with the number of flights scheduled at D-3.

² <http://corporate.airfrance.com> and <http://www.aea.be>

Developing a responsible and innovative product range

Air France-KLM places communication and dialogue with its customers at the heart of its strategy. Thanks to new technology, the Group is able to support its customers before, during and after they travel by providing them with personalised information and assistance also when their journeys are disrupted, whilst fully respecting the confidentiality of the information sent.

The commitments made by the Group guide the services provided to our customers and are detailed below:



1

RESPECT

Air France-KLM ensures that data supplied by its customers remains confidential and is used only by and for Air France-KLM and its partners.

Air France also checks the advertising burden, as perceived by its customers. The vast majority, 85% of customers, said the level of advertising from the company was acceptable. Finally, Air France-KLM has set up in-house applications to better coordinate messages sent to customers, so that they receive information that is relevant to them.

2

DIALOGUE

Air France and KLM hold customer panels and surveys to constantly improve the performance of their products and services: 'Score' involves 500,000 onboard questionnaires per year, The 'In Touch' blog is contributed to by 500 customers, fb@home has 12,000 active clients, the CSR survey is carried out annually; 1,180 Flying Blue customers responded in 2011.

Air France and KLM also proactively reach out to their customers through social media. The popular networks Facebook and Twitter have experienced rapid growth with almost 220,000 followers on Twitter and nearly 400,000 fans on Facebook. In April, KLM started with the large platform Hyves with over 100,000 fans. Moreover, Air France and KLM maintain relationships with their customers through Business and Leisure communities.

3

INFORMATION

Air France-KLM provides comprehensive, transparent information on pricing at the point of reservation online including automatic display of the lowest priced ticket and providing answers to frequently asked questions.

In addition to this, Air France and KLM have developed mobile applications designed to simplify travel preparation and arrangements. Since the start of 2011, Air France and KLM have provided an innovative and personalised service which sends customers information about any unexpected changes to their flight between 14 days before the flight up to take off. The information includes updates on cancellations, delays and gate changes...

Besides this, the service also enables to inform customers about missing baggage upon arrival. The information is sent in real time by SMS or email, currently in 8 languages, to all clients who have signed up.

FOCUS

CUSTOMER RELATIONS AWARDS

Air France-KLM's customer relations initiatives have been awarded various prizes, e.g:

- Air France was awarded first prize for customer relations in the transport category (June 2010)
- KLM was selected best social brand in the travel industry and social brand number 22 worldwide in the 2010 Social Brands 100-report of Headstream



4

HEALTH

All Air France and KLM cabin crew are qualified in first aid, and all aircraft are equipped with a first aid kit and an automatic defibrillator. To prevent the risk of thrombosis, an onboard video shows passengers prevention exercises.

The new Air France's Airbus A380s are equipped with a medical space. The Group also offers several health services to passengers: KLM Health Services offers a 3-stage service to its customers: healthy travel, healthy at the destination and healthy home again. Air France's sales site includes a health and well-being section, and the option of being vaccinated in Air France vaccination centre, the only ISO9001 certified centre in France.

In order to meet European regulation requirements, Air France relies upon the ISO22000 standard on food safety.

In 2006 it became the first airline in the world to achieve certification.

In partnership with the Valk Foundation and the University of Leiden, KLM offers a programme to overcome the fear of flying, which is based upon detailed research regarding its causes. Air France also offers similar courses to help its passengers.

5

PERSONALISATION

Air France-KLM is responding to the wide cultural and linguistic diversity of its customers by offering solutions tailored to specific needs, e.g.: in terms of onboard catering and by making films available in up to 13 languages. In order to provide customised service to its Scandinavian customers, KLM's sales website is now available in the native language of each of these countries. Some customers prefer to be independent and are looking for innovative solutions, while others might need assistance. 'Saphir' for Air France and 'KLM Cares' provide a dedicated service for passengers with reduced mobility and offer personalised solutions at every step of the journey. Air France and KLM also offer a service which is tailored to the needs of families (dedicated areas, special meals etc). For many years, it has provided an accompanying service for the 425,000 children under the age of 12 who travel alone. Furthermore KLM was placed in the top 10 of innovative airlines according to a ranking published by airlinetrends.com.

6

RESPONSABILITY

In order to provide onboard catering which is in line with the CSR commitments, Air France-KLM cooperates with its suppliers to reduce its environmental impact. For example, KLM serves MSC labelled fish and is increasingly adding organic and sustainable products to its menus. In addition, a fully organic menu is available upon request for an extra charge. Furthermore, Air France and KLM are rolling out environmental clauses with their suppliers (see page 20). Air France's catering subsidiary Servair takes environmental concerns into account in its purchasing policy, for example by emphasising the use of seasonal products and reducing the weight and amount of packaging used.

7

ASSISTANCE

Air France and KLM focus on processing claims in the timeliest manner possible by offering an 'e-claim' service. 90% of claims submitted via Air France's website and 70% on KLM's site are dealt with in under 9 days. Air France's Recovery programme provides proactive assistance to customers when major flight delays or problems occur. In 2010, 254,055 passengers benefited from this service, 504 million Frequent Flyer miles were given in compensation without the need for customers to contact Customer Services, and 100% of customers were contacted in the four days following the incident.

Our customers, partners in our CSR policy

Informing

Since April 2010, a dedicated sustainable development section has been included in onboard entertainment programmes on Air France's long-haul flights. Air France and KLM inflight magazines dedicate several pages to CSR issues (environmental and social highlights, key figures, initiatives led by Air France, KLM and its partners).

Air France also broadcasts campaigns against sex tourism on its long-haul flights, in partnership with ECPAT, a NGO.

iFly Magazine, the KLM online publication that was awarded the title of best digital travel magazine in the world at the Digital Magazine Awards 2010, regularly features CSR articles.

Children on board are informed on environmental facts, for example through the WWF-NL food boxes and by featuring Mr. Finney on the kids channel, a cartoon character who teaches children how to treat the earth in a responsible way.

Air France has contributed to several publications on the theme of responsible air transport, for example in cooperation with the FNAM and by contributing to the 'Business travel and sustainable development, incompatible or compatible?' guide, published by the Marco Polo Group, a travel sector think tank.

Consulting

Since 2008, Air France-KLM has conducted an annual survey amongst its Flying Blue customers to determine their expectations related to CSR and the air transport sector, and to evaluate the initiatives in place. This study gives even better insight in the most relevant CSR topics and the global issues for customers on an international perimeter and which measures they expect the Group to take in response. It also shows that customers still overestimate air transport's share of CO₂ emissions, which they estimate in ten times more than its actual share which is around 2%.

Involving

Numerous initiatives are available to encourage our customers to contribute with their own actions, such as offsetting CO₂ (see chapter on Combating climate change), donating miles to NGOs, as well as onboard initiatives regarding their own contribution as communicated in the monthly ECPAT International page. By purchasing products on this page customers can contribute to the fight against child exploitation.

The KLM Open 2010, an international Golf tournament, was a sustainable and CO₂ neutral event. Concrete actions taken were green energy, waste sorting and sustainable catering. The remainder of CO₂ emissions were compensated with Gold Standard Emission Rights.

KLM started a table with IDH, the Dutch Sustainable Trade initiative, on sustainable tourism to explore the possibilities for a joint pilot in this area.

Providing responsible Cargo and Maintenance services

A more sustainable Cargo offer

During the World Air Cargo forum in Amsterdam, which was attended by more than 3,000 people, Air France-KLM presented its new offer, along with all of the initiatives the Group has put in place to reduce the environmental impact of its business, such as the development of e-freight and alternative fuel.

New initiatives have strengthened this position, such as the new facility to handle dangerous goods which is under construction at Roissy-CDG airport or the local client service centre which has been set up for SMEs and SMLs to address their specific needs.

Certified Maintenance which listens to its customers

A system providing two-way customer feedback is in place, along with a process for dealing with claims, this also covers expectations in terms of CSR. KLM E&M has organised an 'inspiration day' with its customers to discuss their changing expectations, particularly concerning CSR.

In May 2010 Air France Industries obtained the renewal of its 'unique' certification whose scope applies to all of its French business, and 'global' certification, which applies to eight international reference standards.

This recognition includes the Group's commitment to 'green maintenance', which is a real and distinctive asset to many stakeholders.

FOCUS

AT AIR FRANCE INDUSTRIES THE APPLICATION OF ISO26000 GUIDELINES HAS BEEN EVALUATED BY EXTERNAL AUDITORS.

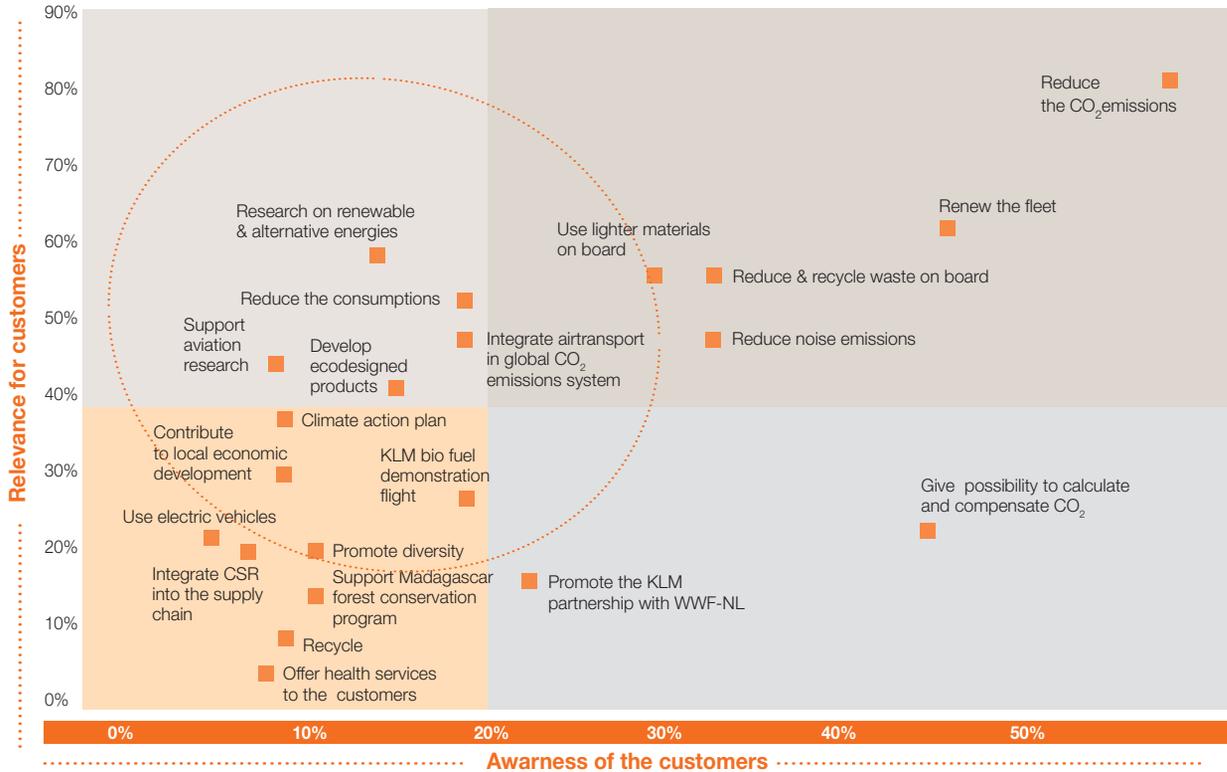
Since November 2010, Air France Industries has been named the leading aviation maintenance company by the independent 'Bureau Veritas', in recognition of its commitment to and initiatives in sustainable development, in line with the ISO26000 standard.

Concerning 'consumer issues' the following topics were analysed:

- fair practice in terms of marketing, information and contracts;*
- health and safety protection for consumers;*
- sustainable consumption;*
- after-sales care, assistance and dispute resolution for consumers;*
- data protection and privacy of consumers;*

The setting up of an ethics code for their sales personnel has been identified as a good practice by the auditors.

Customer perception on Air France-KLM CSR actions



Source : InSites Consulting

POINTS OF VIEW



Sustainable travel offer



Jean-François Rial
CEO of *Voyageurs du Monde*

What role does air transport play in responsible tourism?

Air transport plays an enormous social role. Beyond its obvious economic role, it increases

the exchanges between different peoples and promotes better understanding between cultures; it is therefore a force for peace.

An airline can and should be a key player in sustainable tourism, by adopting a socially responsible policy towards its employees throughout the world and by contributing to wealth creation in the countries it serves. The big challenge for air transport remains the reduction of its environmental impact, in which Air France-KLM is strongly committed.

What constitutes a responsible travel offer?

The human element is essential, this means showing respect to employees; in terms of salary, social protection, and their dignity, whilst also being respectful towards customers, in particular by offering tailored services to disabled passengers. Air France-KLM also fights against child exploitation and contributes by providing information to passengers against sex tourism. Informing passengers is a key element in this area.

In terms of climate change, Air France-KLM could better inform its customers on the issues faced by the air transport industry, and by explaining the positions it advocates in favour of air transport making a fair contribution to greenhouse gas reduction.



Christian Boireau
Executive Vice President for French Sales, Air France

What constitutes a responsible airline?

An airline must act in accordance with its environmental and social responsibilities, as well as

live up to its responsibilities towards society by contributing to business creation in the territories in which the company operates. We also involve and engage our corporate customers in the context of their own CSR policies. Beyond this, we inform our customers about sustainable development issues and enable them to offset their CO₂ emissions and support humanitarian and development projects.

How can we include CSR in the range of our travel offer?

By making our commitments a part of the relationship we have with our customers and through the products and services we offer. We act with integrity and respect by ensuring the confidentiality of data and by providing transparent information about our products. By using new technologies we can maintain permanent contact with our customers and provide them with innovative services. We listen to our customers in all fields, on an ongoing basis in order to provide them with a quality service, which meets their expectations.

Promoting a responsible human resources policy



For Air France-KLM, **social cohesion** is key to what we do. Our role as a major international player in air transport is built upon **shared values of responsibility, respect, solidarity and pride** in what we do.

Today, the Group is more aware than ever of its exposure to unforeseen events, ever more intense competition and the demanding economic context. The Group has to rise to the challenge of uncertain growth, the geopolitical situation and fluctuations in the price of oil, while at the same time **safeguarding jobs** of its employees and know-how.

In the context of a very competitive globalised air transport sector, **strengthening our values and preparing for the future** will mean we have to adapt to a faster pace, whilst **ensuring cohesion by remaining true to our values** and playing our part in **maintaining effective relations** with employees and their representatives.



Our vision

We see our employees as the prime resource for our Group. Therefore we safeguard a social policy and ensure personal development to guarantee motivated and professional employees, which is key to improve our competitiveness.

Our commitments

- Boost employability through training, increased mobility, flexibility and by promoting health in the workplace.
- Bring about change whilst maintaining effective dialogue with employees and employee representatives.
- Promoting respect, well-being and career-long work-life balance.
- Foster diversity in order to preserve our attractiveness as an employer and to encourage new talent to surface.

Our management indicators

AIR FRANCE / objectives	/ schedule	/ main achievements 2010-11	/ status
Develop mobility in the framework of the current 3-year employment agreement (2009-2012)	Ongoing	In 2010, 327 employees moved job locations in France; 1,500 activity changes (of which 75 to careers as cabin crew) Completion of Voluntary Departure Plan, with 1,834 people leaving the Company	●
Step up the use of the in-house Job-exchange	Ongoing	Number of offers in 2010: 778 (451 in 2009)	●
Negotiate and obtain agreement on gender equality in the workplace	2010	Trade Unions unanimously sign gender equality agreement in October 2010	●
Renew wage equalisation measures	2010	543 women benefited from wage equalisation measures in 2010	●
Negotiate and come to an agreement on the prevention of psychosocial risks	2010	Trade Unions unanimously sign agreement on prevention of psychosocial risks in March 2010	●
Implement prevention measures and structures to prevent psychosocial risks	Ongoing	Training courses implemented Multi-disciplinary groups implemented	●
Increase disabled worker employment rate by 0.5 of a percentage point each year	2010	Employment rate of 3.92% in 2010 (+0.35%) 1,572 workers with disabilities on Air France payroll in France	⊙
Cut the occupational accident frequency rate by 30% over three years	2009-2012	Following a first positive three year period, the trend slowed in 2010 with an increase of 6.8% compared with 2009	○
Deploy the measures needed in company departments to achieve this objective	2011	Intensification of feedback, management and implementation of best practices	○
KLM / objectives	/ schedule	/ main achievements 2010-11	/ status
Stimulate mobility inside and outside the company	Ongoing	Focus on 'Future-program' offering coaching, training and job advice to over 400 employees in 2011 Vacancies were filled by means of an instrument facilitating a systematic search for internal candidates leading to 254 successful matches in 2010 Venues created like Marketplace by KLM Commercial to make employees aware of job opportunities within KLM, attracting hundreds of employees in 2010	●
Increase awareness of employees on their own wellness and health, prevent health risks.	Ongoing	Renewed policy supporting employees returning to work after long-term absenteeism	●
Increase mobility and development.	Ongoing	The programme for employees acquiring a formal high school diploma counted 75 participants in 2010	●
Create an equal opportunity mindset for a diverse population	Ongoing	Start of the Lesbian Gay Bisexual Transgender network Organisation of Diversity dialogues with senior men and women including a closing dinner with KLM's president and CEO	●
Build more flexibility into workforce and contracts	Ongoing	Solidair programme continued offering ground staff an opportunity to gain experience of the ground operation while helping out KLM at the same time when the ground operation is disrupted	●

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

Adapting to the economic environment by improving our staff employability

Development of our workforce

Since the start of the economic crisis, which has greatly impacted the air transport industry, Air France-KLM has been working to mitigate the effects of the crisis in a social and responsible way, whilst maintaining the competitiveness of its staff.

Air France has pursued a policy based on rigour and prudence, which has led to a gradual reduction of its workforce. 2010 saw the implementation of a Voluntary Departure Plan; a transparent and non-compulsory approach was respected when organising this scheme.

In addition to redundancy packages, the 1,834 members of staff who have opted for voluntary departure have benefited from individual support in planning their future career, provided by two specialist agencies, as well as up to 9 months of retraining leave.

On the 31st of March, almost 600 employees concerned had already moved on to new projects (of which more than 100 people are setting up or taking on an existing business).

At the height of the economic crisis, in order to cope with busy periods in certain areas, KLM asked its staff to help out with ground handling operations. This enabled employees concerned to gain a better understanding of the role of ground operations staff and save cost of hiring external staff. Given these positive results and the unique learning experience for employees, KLM has decided to continue with this 'Solidair' initiative after the crisis. Employees on the scheme will be able to provide support to ground operations staff at any time of the year, and especially during disturbances to operations, such as the volcano crisis in April 2010 or during the heavy snowfall in December.

KLM pilots temporarily helped out Ground Services by taking up ground positions. KLM Cityhopper, a subsidiary of KLM, recruited ground staff from KLM on a temporary basis as cabin crew. Twelve employees took up this opportunity for a new experience, whilst maintaining their previous salary levels. Some of those concerned will return to their previous jobs after a year, while others have opted to stay on as cabin crew on a permanent basis.

After more than 50 years Martinair will end its passenger business operations in November 2011. The KLM subsidiary will fully focus on their strong full freighter cargo operation. KLM has taken on Martinair's 379 cabin attendants.

Preparing for the future

Leading responsible change management as part of ongoing social dialogue

Air France-KLM recognises the constraints and risks it is faced with, which means it will need to adapt to a more sustained pace of change. At the same time the Group needs to maintain cohesion and ensure productive relations with employees and their representatives, as part of a policy based on treating people with respect.

Air France's Voluntary Departure Plan was the subject of consultation with the Central Works Council and trade unions, and was then widely communicated to employees.

At Air France, discussion has taken place throughout the year, in particular on preventing psychosocial risk factors, promoting gender equality, teleworking and on the role of seniors within the workforce. Finally, 2010's collective wage agreement was the subject of negotiation and was signed by the majority of the trade unions.

Preparing the future by investing in training

Continuously improving our skills is a challenge. Training means we can close the gap between available and required skills, promote life-long learning and support those changing careers.

In response to the economic crisis, which has hit air transport hard since 2008, Air France-KLM has chosen to do more to develop the employability of its staff throughout the world. This is why training for Air France-KLM employees has been expanded and based on e-learning, which allows employees in around a hundred countries where the group is present to extend their skills.

Over the course of 2010, Air France-KLM continued to adapt the training it offers in order to support changes to products, organisation and jobs, placing more focus on individualised training.

Improving mobility

Adapting the roles of our staff has led Air France-KLM to re-think the way its organisation works, which in turn has led to new internal job opportunities.

Professional mobility has become a necessity due to economic, technical and commercial change. To ensure that mobility happens in the smoothest way possible, Air France has set up a 'jobs and skills forecast management'. This initiative includes career orientation and mobility tools such as a 'Mobility Unit' and the 'Job Market', which recorded a two-fold increase in the number of job announcements posted over 2010. In 2010, more than 1,500 ground staff changed jobs within Air France, of whom 75 are becoming cabin crew after training. There were 327 examples of geographical mobility, 600 employees transferred between divisions while 86 ground staff gained executive status.

From spring 2011, employees will have access to the 'Observatoire des Métiers', which will provide information on growing or declining demand for different types of jobs, which steps to take in order to change role and the skills required to succeed. This tool will mean that employees can plan their career path with their manager and HR manager.

FOCUS

A SYMBOL FOR TRADE UNION DIALOGUE

To mark KLM's 90th birthday, Mr Evert van Zwol, head of the Dutch Airline Pilots' union presented Mr Peter Hartman with a tulip tree on behalf of all of trade unions at KLM. Mr Hartman, President and CEO of KLM, underlined how cooperation with Unions is a deeply rooted part of the company's culture.

Air France managed to maintain a high level of investment in training representing some 8.35% of the payroll, with an access of more than 90% for all its employees.

To support changes to jobs, particularly in the field of maintenance, Air France has set up training programmes leading up to an internal diploma ('certificate logistique interne professionnal') in partnership with the division and the Education nationale. These 6 month internship training programmes represent more than 400 hours, and will allow the Company to professionalise growing areas of employment.

In 2010, investment in training at KLM stood at 2,645 euros per employee.

At the height of the economic crisis, KLM gave fresh impetus to its 'Focus on the future-program', which aims to expand employee skills and mobility.

More than 400 members of staff have benefited from support, training and career advice, this initiative is set to continue throughout 2011. As a response to a potential shortage of qualified managers, 15 managers from various departments of KLM took part in a pilot Operations Manager training project. This 22-month programme carried out in conjunction with TiasNimbas Business School, is made up of a period of training, a master class and mentoring from an experienced operations manager.



Fulfilling our responsibilities to young people entering the labour market

Despite the economic crisis, Air France has chosen to continue strengthening its links with the Education Nationale, in particular by welcoming students on work-study courses. The implementation of the 5th Internship Charter for the 2008-11 period resulted in the recruitment of 272 people on apprenticeship and internship contracts in 2010 despite the challenging context.

Recruitment of 'young executives' is also continuing (33) and links between universities and the company have been maintained through partnerships. Air France's 'New Careers' Chair at Rouen Business School enables us to participate in discussions on extending working life, the diversity of jobs and people within the company and developing internal mobility.

'Campus Training' and Air France's Recruitment and Selection Department achieved renewal of their ISO9001 certification at the end of 2010, proof of Air France's commitment to quality in these areas.

Safeguarding the health and safety of employees

Health and safety in the workplace is a key policy priority for Air France-KLM. Its importance is supported from the highest management levels to all departments in the business.

Despite weaker results this year, which have not met objectives, Air France reaffirms its ambition to reduce the number of accidents in the workplace over 2011 (see graph).

Despite all efforts, the number of accidents in the workplace at KLM did not result in the considerable decline as aimed for.

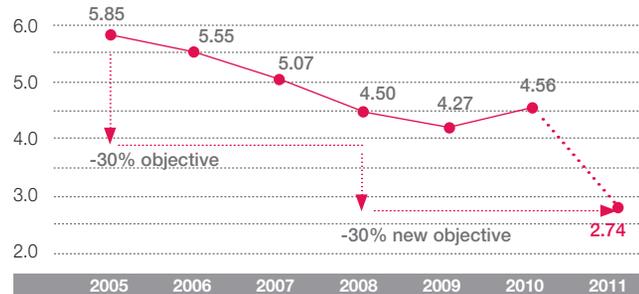
FOCUS

BALANCING HEALTH AND SAFETY IN THE WORKPLACE WITH OPERATIONAL PERFORMANCE AT AIR FRANCE

As well as adapting work stations and production processes, experts in ergonomics have played a role in developing new buildings, IT applications, tools, ground support equipment etc.

Their expertise has also been called upon in the 'Constellation' and 'Equinoxe' building construction projects and in the transfer of A320 activities to a new site. Real working conditions are taken into account when designing projects, dialogue between stakeholders is encouraged and the acquisition of future sites, tools and processes is facilitated.

Industrial injury frequency (IF*) coefficient at Air France



*IF: number of industrial accidents, resulting in absenteeism, per 100 employees/year

Managing reduction of workplace accidents

The company's Board of Directors has renewed its commitment to reducing accidents in the workplace through contracts providing specific targets to each entity within the group. Performance on safety is one of the criteria on which operations managers' variable pay is based. Projects are monitored by each of the Steering Committees, and periodic evaluations are carried out within Air France's Executive Committee and for KLM with the Executive Committee and Safety & Quality Board (SQB).

Dialogue and training to better manage risk

It is key for Air France to implement best practices for health and safety in the workplace: Prevention, analysis, management, and supporting measures on the field.

Management was involved in the annual 'Health and Safety in the Workplace Convention', where 12 prizes for performance in the field of safety were awarded to managers of operations divisions in recognition of successful initiatives. These included an initiative focusing on higher-risk areas, team workshops led by safety experts and periodical safety briefings.

In addition, training to prevent musculoskeletal disorders (MSDs) in operational departments was provided to various divisions such as logistics and freight, engine maintenance and baggage loading. These initiatives were outlined during the 'Air France Prevention of MSDs' forum, which took place in 2010.

Last year KLM's Safety Champions (managers in charge of promoting safety) continued their efforts to promote safety at work. The Safety Award was introduced for the most innovative safety ideas. It was awarded five times last year amongst others to two Ground Services employees for developing a net for loads that need special care. The net improves safety and reduces handling time.

Safety communication is carried out frequently using several specific safety magazines. 'Never compromise on safety' is the leading message accompanied with the Safety-logo, especially designed to support KLM's safety policy.



Quality of life and health in the workplace

At Air France, a three-year agreement on 'method and prevention of psychosocial risks and quality of life in the workplace', which was signed unanimously by unions in 2010 promotes a multidisciplinary, participatory outreach approach which mobilises all stakeholders: employees, managers, the human resources network, occupational physicians and nurses, social workers, trade unions and the CHSCT (Committee for Hygiene, Safety and Working Conditions).



FOCUS

INVENTING NEW WAYS OF WORKING

KLM's IT department is working on defining a 'New World of Work' which will offer flexibility in terms of working location and time as well as a 'mobile office'. This should improve work-life balance while at the same time reducing the carbon footprint of travelling between home and work. Martinair and Transavia have already implemented similar practices.

2010 also saw a broad-based awareness campaign on preventing psychosocial risks. The campaign took various forms, such as forums, benchmarking and training events. Between May 2010 and February 2011, 570 people received training.

KLM's Commercial Division has set up stress management workshops, in which staff based both in the Netherlands and in international markets have participated. Other divisions have also adopted similar initiatives.

The Flight Operations division of KLM is participating in a study carried out by The VU University Amsterdam (Vrije Universiteit Amsterdam) on pilots' fatigue. The data collected by KLM's medical staff are analysed to identify factors that contribute to tiredness, absenteeism and health complaints caused by irregular working hours.

The Stay@Work study carried out by the VU University Amsterdam within KLM Cargo received an award from a Dutch government body. The study, aimed to reduce the risks of work-related neck and back pain, resulted in employees acting as ergonomic coaches to colleagues, teaching them healthy ways for example to lift weights.

Ensuring social protection for workers in countries served

Air France-KLM employs more than 8,354 people locally throughout the world, who benefit from the values and commitments laid out in Air France-KLM's Social Rights and Ethics Charter. Almost all of the Group's local staff benefit from social protection ensuring they receive sickness and maternity benefits, along with arrangements to ensure they can benefit from a decent standard of living during their retirement, and are covered against accident and death. In addition, the Group offers complementary insurance coverage where public provision does not meet the required standards. The Group is also developing a responsible health policy for its employees, in particular through campaigns on preventing specific local health risks.

Involving subsidiaries

The Group's subsidiaries are also involved in prevention and protection measures for workplace safety. Servair is for example investing in preventing falls from height by redesigning and monitoring its procedures, as well as by producing educational resources and organising forums. These initiatives apply to mainland French and overseas destinations (Canton, Pointe-à-Pitre, etc).

Promoting equal opportunities, ensuring fair treatment of employees and respecting diversity

Promoting equal opportunities and combating discrimination

The third three-year Air France agreement on gender equality was signed unanimously by unions in October 2010.

The agreement is based upon three main objectives: to establish a common methodology for measuring professional and wage equality, to ensure equality of opportunity and equity of treatment in Human Resource practices and to come up with practical measures concerning work-life balance.

Wage equalisation measures at Air France started in 2008, will be continued in 2011. 543 women have benefited from this measure in 2010.

In addition to measures already in place, proposals to facilitate women's access to management positions were submitted to HR management by employees.

KLM has launched a social network to bring together its gay, lesbian, bisexual and transgender employees. In order that these people are visible, accepted and recognised within the company, exchanges will take place with management and human resources. A communication campaign has also been set up. The network is part of the Company Pride Platform, which also collaborates with many other companies.

Accompany the second part of working time

To promote the employment of seniors, Air France-KLM aims to increase the support provided to employees in the second half of their careers.

To achieve a real transition between professional life and retirement, Air France-KLM is offering part time working arrangements at the end of employees' careers.

More than 300 members of staff have benefited from Air France's retirement preparation training since July 2009.

KLM offers a 3-day workshop to employees over the age of 45 in order to help them increase their motivation for their current job or to assist them in finding a new job.

Women in the Group (%)		2010
Board of Directors		13.3%
Executive Committees	Group (GEC):	0%
	AF:	7.7%
	KLM:	7.3%
Senior managers / executives	AF:	25.7%
	KLM:	19.9%
Ground staff managerial	AF:	30.1%
	KLM:	23.1%
Flight crew managerial	AF: Cabin crew:	52.1%
	Cockpit crew:	2.8%
	KLM: Cabin crew:	72.1%
	Cockpit crew:	3.0%
Ground staff non managerial	AF:	40.0%
	KLM:	30.6%
Flight crew	AF: Cabin crew:	65.1%
	Cockpit crew:	6.9%
	KLM: Cabin crew:	82.7%
	Cockpit crew:	4.2%

Increasing the number of disabled workers and helping employees with long term absence

Air France is actively pursuing initiatives to welcome people with disabilities into its workforce. It recruited 25 disabled members of staff in 2010 and continues to subcontract to organisations within the sheltered employment sector, resulting in the equivalent of 560 indirect jobs.

Over the same period, the number and employment rate of disabled staff members have both increased, totalling 1,572 employees and 3.92% of the workforce.

Air France has invested 2.5 million euros of the budget provided for in the disability agreement of 2010. This investment has mainly been dedicated to actions to maintain disabled people at work, and to develop awareness.

KLM, in close collaboration with the Works Council, has updated its policy supporting employees returning to work after long-term absence due to illness. An advisory committee has been set up to monitor cases with reference to the renewed policy, to provide advice, to improve progress and to define company and employee responsibilities more clearly. KLM's financial liability concerning employees affected by disability has been extended to 12 years.

Involving employees in our CSR program

Air France and KLM have been building awareness among employees throughout the year in both a structural and inspirational way with different internal initiatives.

CSR in training

Air France has set up two training programmes on diversity via e-learning, to build awareness on professional integration of disabled workers among all employees, and to assist managers in their day to day work.

A general training programme on CSR in the form of an e-learning module will be made available to all members of staff within the group in 2011.

At KLM, CSR is integrated into training in different divisions, for example an e-learning course has been developed for Engineering & Maintenance and Fuel Awareness is now integrated into structural training at Flight Operations. All these different trainings are tailor-

made by the divisions concerned. The KLM Academy offers a variety of training programmes. Part of this training offer is a yearly CSR masterclass for middle management.

Initiatives involving employees

At KLM quarterly 'CSR cafés' are held, bringing together employees and outside speakers on a variety of subjects such as procurement & CSR and responsible marketing. At Air France there have been dedicated stands and conferences during 'Sustainable Development Week'.

250 young executives attended a conference on diversity where they produced communication materials on their chosen topics, with the jury selecting a film as the overall winner.

Air France is involving its employees in initiatives with the Air France Quality Innovation Programme, which rewards the best proposals submitted by employees.

In addition, 28 Air France employees in 2010 and 48 in 2011 are participating in 'Pandathlon', a fundraising sports event on behalf of WWF France, which will see employees climb Mont Ventoux, a Natura 2000 site and Biosphère reserve.

KLM also organises meetings between external stakeholders and employees, as well as meetings between employees on CSR topics, in order to enrich the debate on these subjects.

FOCUS

MOBILISING STAFF TO WELCOME PEOPLE WITH DISABILITIES

A disability awareness booklet, published by a sheltered employment organisation, was handed out to all employees. The booklet aims to encourage everyone to support the integration of disabled people within the company by showing examples of everyday workplace situations.

POINTS OF VIEW



Socially responsible airline



Fouad Benseddik
Director of Methodology
& Institutional Relationships, Vigeo

What constitutes a socially responsible airline?

A company that has understood its performance depends upon how well it is able to preserve the cohesion of its human capital. This means having clear, visible and measurable objectives, based upon dedicated management processes, which are monitored according to respect for human rights, continuous improvement of qualifications, the capacity to reorganise structures and businesses without harming the psychological well-being of employees, promoting social dialogue and widening the field of participation. The reputation of the company, its attractiveness on the labour and financial markets and in the end its effectiveness are based upon all of these things.

Faced with these challenges, in which areas in particular do you think Air France-KLM should take action?

According to Vigeo's rating, Air France-KLM comes out as the leading Group in its sector. Your performance on respecting human rights, continuously improving employment and working conditions and professional relations is convincing. You have solid assets to meet the challenges of carrying out restructuring in a responsible way, and of continuously improving the employability of your staff. Stress management, the inclusion of social performance in executive pay criteria and the number of women in management positions need a specific attention. The area of diversity, on which you have already rolled-out commitments requires constant vigilance.



Jean-Claude Cros
Executive Vice President Human
Resources and Labour Relations,
Air France

What constitutes a socially responsible airline?

An airline is an international business made up of jobs at a mostly national level. In this context, being a socially responsible company means meeting the dual challenge of adapting to ever more intense global competition, and to fast-changing technologies, while at the same time developing our primary resource; our staff.

Our objective is to preserve jobs in the long-term and so strengthen our employees' employability and professional mobility. This means that every employee is constantly developing its skills and receives appropriate trainings.

Which initiatives are planned to carry out this social vision?

Developing the employability of our staff is a challenge that involves a great deal of employee preparation and support.

Over recent years, we have intensified our efforts in improving professional mobility. The Observatoire des Métiers is currently being rolled-out, the jobs and skills forecasting and management tool is being improved and a complete range of technical and managerial training is available.

Finally, Human Resources is working along with managers from the start of projects so that social aspects are taken into account at an early stage of the process.

Contributing to local development



Through its business activities, Air France-KLM contributes to economic and social development, both **where the Group is based** and in the **countries it serves**. Its extensive international network also provides added **economic, technological logistical and financial value**, and stimulates numerous other sectors, such as tourism and commerce.

The two companies pursue **long-term dialogue with local partners** to build sustainable, efficient and transparent relationships.

Furthermore, The Group works on transferring skills, **supports local populations** by making **financial and logistical means available**, and also encourages the involvement of its employees in **community projects**. The Group leads and supports humanitarian projects via foundations and permanent NGOs, and provides relief in case of natural or humanitarian disasters.



Our vision

We strive to add economic and social value in the areas where we operate, which starts with our flight services enabling people and business to connect around the world. By working together with local partners, we create new business opportunities and support projects contributing to the long term well being of local communities.

Our commitments

We support the economic and social development of the areas surrounding our major bases and the countries we serve, particularly the most disadvantaged among these, through initiatives which aim to:

- contribute to the local economy through our capacity of creating business and work, and by using local suppliers;
- build durable relationships with local stakeholders

- by providing information, through dialogue, partnerships and by contributing to local development and projects which improve residents' living standards;
- prepare for the future through skills development;
- encourage our employees to participate in community projects;
- promote and support development programmes by making the Group's human, logistic and financial resources available.

Management indicators

AIR FRANCE-KLM / Objectives

/ main achievements 2010-11

Contributing to the local areas surrounding our major hubs	<ul style="list-style-type: none"> -Participation in the Grand Roissy project, in public consultation on Grand Paris and publication of a stakeholder document -Participation in Pays de Roissy-CDG associations, Hubstart, Aerotropolis Europe and the Aigle project -Support of the sheltered sector: subcontracting to 69 organisations for 11.8 million Euros (Air France) -Signed covenant with 10 neighbouring companies in the Schiphol Area on CO₂ mitigation during a climate summit -Stakeholder dialogue and company visits by governmental delegations, local politicians and council members -Further contribution to operational issues carried out by the Schiphol Regional Review Board (CROS) -3 issues of 'Courrier, Air France partenaire de l'Île de France' published and distributed to 1.500 institutional recipients
Promoting skills development	<ul style="list-style-type: none"> -Taking active roles on the boards of local associations; Airemploi, JEREMY, AFMAé and the Val de Marne Second Chance School (Air France) -Making 8 executives available to the national education authorities (Air France) -The AIDA programme; 35 training programmes in 20 African countries. 1,150 staff members received qualifications
Involving employees in social projects	<ul style="list-style-type: none"> -Les Amis de la Fondation Air France: 2,100 employees involved in volunteer work -Aviation Sans Frontières: 345 volunteers, most of them being Air France employees -Wings of Support: 80 volunteers and 3000 structural donors in over 20 countries -Sharing best practices and inspiring other colleagues to launch CSR initiatives through internal publications -Fundraising for several social initiatives through staff satisfaction questionnaires -Staff involvement and aid programmes during humanitarian disasters (e.g. Japan) -Providing 1,200 food packages to deprived families in the Amsterdam area during the Christmas period thanks to the involvement of 40 employees (KLM) -Recurring onboard sales action by cabin crew, raising money for Pink Ribbon, breast cancer research and treatment (KLM)
Enhancement and extension of social engagement	<ul style="list-style-type: none"> -Funding of €10.3 million for humanitarian projects -Foundation Air France: 100 education projects supported in 36 countries – €2 million -Acting for Life: 67 development programmes (children, economic, sustainable tourism) in the world -Closing the digital divide by offering ICT assets and door-to-door logistics to schools and education centres in Africa (in concert with NGO Close the Gap) -Usage of social media to communicate social initiatives and donor participation (KLM) -Round table with social NGOs to progress on further steps in effective corporate citizenship (KLM) -Active engagement of CSR initiatives through online community Club Africa (KLM)

Contributing to local development around our hubs

FOCUS

LOCAL COMMUNITIES AND AIR TRANSPORT

As major players in regional development, Air France and KLM contribute to the debate on the economic impact of air transport, explaining the challenges, constraints and opportunities of the sector.

Since 2008, Air France has participated in the Grand Roissy project, which was initiated by the President of France to ensure the future development of Roissy-CDG, while protecting local residents' quality of life. This collective effort has resulted in 35 proposals for the sustainable development of the airport area concerning environmental issues, and coordination and governance of the local area. The first decisions were announced in January 2011 at the Grand Roissy Assembly.

KLM for its part has contributed to the Dutch Government White Paper on air transport (Luchtvaartnota), which has been endorsed by the Dutch Parliament. Aviation is seen as a key factor in economic development and national competitiveness. A central aim of this White Paper is therefore to further optimise network quality while also promoting a competitive and sustainable aviation sector. Important conclusions are that the aviation industry and KLM play a vital role in economic development and growth and that innovation hand in hand with leadership will ensure that this happens in a sustainable way.

Developing the local economy

By providing international transport, Air France and KLM support business development in the areas around their hubs and throughout France and The Netherlands. With a small home market but huge international economic potential, KLM contributes to the development of the Dutch economy. In addition, the regions surrounding Amsterdam-Schiphol, Roissy-CDG and Orly are major economic centres attracting both large corporations and SMEs, which benefit from the international airport and the dynamic local economy.

As a major private sector employer at its hubs, Air France-KLM contributes to job creation. The KLM Group employs over 33,000 of the 60,000 people employed directly at Schiphol Airport, while Air France employs nearly 47,000 of the 118,000 people employed at Roissy-CDG and Orly airports.

As contributor to local development, the Group is playing a role in discussions on projects set to shape the areas surrounding its hubs over the coming twenty years, such as the Grand Roissy project (see Focus) and the consultation process on the Grand Paris-Express, the future public transport network in the Paris region. At the end of 2010, Air France contributed to the public consultation on the 'Grand Paris' debate by underlining the vital importance to both passengers and employees of an efficient urban transport network serving airports in the Paris region. Because the network will constitute either the first or last stage of journeys, it is not only an important addition but also a key factor for the competitiveness of French businesses around the world.

To create the best possible conditions for business around Roissy-CDG, cooperating with partners is essential. Therefore, Air France works together with Hubstart and with the Aerotropolis Europe association. The company is committed to promoting the 'Grand Roissy' region around the world, to better compete with other airport areas. Air France Industries is taking part in the Aigle project, led by the ASTech Paris Regional Business Cluster, which brings together aeronautical businesses with the goal of creating a world-class aerospace centre of excellence around Le Bourget airport.

Pursuing long-term dialogue with local stakeholders

Air France and KLM take a proactive approach to engaging local stakeholders such as residents, elected officials, associations and regulatory authorities in open dialogue at their two main sites. Dialogue and transparency are the keys to successful cooperation on issues such as noise and quality of life. Air France also communicates with local stakeholders through its publication 'Le Courrier Air France, partenaire de l'Île-de-France'.

To further strengthen links, Air France and KLM have continued opening their doors to residents and elected local officials; the mayors and council members of more than twenty surrounding communities visited KLM to participate in open dialogue with Air Traffic Control The Netherlands and Schiphol on aeronautical and environmental developments around the airport. A delegation of ambassadors and representatives of the Ministry of Foreign Affairs was invited to visit several KLM departments where they were informed about innovative and CSR throughout the company. In October 2010, Air France invited the public to visit its Orly Nord industrial zone to see newly constructed or redeveloped buildings for themselves.

Air France has set itself the objective of promoting development in the Pays de Roissy area. The company has set up the 'Pays de Roissy-CDG' association, which since 2003 has benefited from two part-time executives provided by Air France organising theme-based working groups on training, economic development, housing, transport and culture. In 2010-2011, this association contributed to the debate on the Grand Paris public transport network by drawing up a stakeholder dossier, it also organised a European forum on security and safety.

KLM is engaged in permanent dialogue with residents and local officials through the Alders Table and through its involvement in the Schiphol Regional Review Board (CROS). The new sector agreement on noise norms around the airport is a major achievement (see also page 33). KLM and ten other companies in the Schiphol area signed an environmental covenant during the regional climate summit in Amstelveen, which aims to exchange ideas and best practice and encourages the participation of all these companies on CO₂ mitigation.

Training future generations and working with vulnerable communities

Sharing knowledge and providing training

Both Air France and KLM are playing a role in the job market by employing people at all skills levels. They are active in developing skills through their involvement in providing information and training on careers in aviation.

~80,000

Air France-KLM Group employees

at Amsterdam-Schiphol, Roissy-CDG and Paris-Orly hubs

Air France is a founder member and continues to support three associations which are involved in this area at Roissy; Airemploi, JEREMY and AFMAé:

- Airemploi provides information and guidance on training courses leading to careers in aviation: 198 conferences for schools and careers advisors in 2010. Also in 2010, a programme was launched which aimed to widen the career choices of 63 young women, by helping them to find out about traditionally male-dominated careers;
- JEREMY promotes the integration of young local people from the Roissy-CDG and Orly areas who do not hold formal qualifications: 285 trainees began aviation-related apprenticeships in 2010;
- through its 'CFA des métiers de l'aérien', AFMAé trained 324 young apprentices and 116 interns through in-service training. Air France is continuing to host work-study students with 148 apprentices in 2010, 140 of who were at Air France Industries and 8 disabled workers at 'Commercial France'.

Air France has jointly set up innovative partnership initiatives with various stakeholders such as the 'Ecoles de la Deuxième Chance' (Second Chance Schools, see Focus) and the Education Nationale, including its 'Engineers for Schools' (IPE) initiative, which involves releasing engineers for work in schools. Air France contributes with 8 engineers to the project. In February 2011, twenty-one recently appointed secondary and high school head teachers took part in a training course where they benefitted from the company's management know-how. Teaching staff are therefore able to provide guidance to students on careers in aviation.

FOCUS

SECOND CHANCE SCHOOLS

Second Chance Schools offer young people aged between 18 and 25, who left school without formal qualifications a second chance. As part of an individualised learning programme, students complete two or three internships to find out more about the world of work.

As a founder member of the Val-de-Marne Second Chance School (E2C), Air France Industries hosted interns in its logistics department in 2010. These interns are supervised, but above all listened to, so that they can be independent on the job market.

KLM is continuing to invest in education programmes: Regional Education Centres (ROC) Amsterdam and KLM-Engine Services offer gas turbine mechanic and sheet metalwork training; KLM also assists in developing skills & competences and offers internships. KLM provides professional training for careers in aircraft maintenance at two schools with a two-year contract as a mechanic at the end of the course. At Global Start, potential school dropouts are given training in ICT and are recruited for KLM computer replacement projects.

Working with the sheltered employment sector

Providing employment for people with disabilities who cannot access the mainstream job market, is one of the commitments made by companies which respect their corporate citizenship responsibilities.

In 2010, the number of sheltered employment sector organisations working with Air France increased to 69, representing 11.8 million Euros, and the equivalent of 560 full-time jobs. Air France has also allocated 772,000 Euros of the training tax it pays to organisations which provide training for people with disabilities.



Mobilising the Group's employees

Employees are regularly mobilised to assist with projects supported by the Group. For example, the 'Amis de la Fondation Air France' network mobilises more than 2,100 employees in a range of voluntary and fundraising schemes. In 2010 they took part in more than 20 voluntary projects by giving their free time for extra school activities, awareness campaigns about donating blood and participating in fundraising activities.

KLM employees of various departments supported many good causes: e.g. KLM Catering Services donated 1,200 food boxes to the food bank of Amsterdam thanks to the involvement of around 40 employees, fund raising initiatives were held throughout the company in aid of breast cancer research (Pink Ribbon), including sponsored runs and other sporting events, computers were collected and shipped to schools abroad and several volunteer projects involving nature conservation were carried out.

FOCUS

CONCIERGE SERVICES FOR EMPLOYEES AT AIR FRANCE'S HEADQUARTERS

Since the start of 2011, employees at Air France's headquarters have benefitted from a concierge service, thanks to a joint initiative between the company, a works committee, and the ESAT de Gonesse (a sheltered employment organisation).

Before the service was launched, disabled workers spent two months acquiring skills in reception, IT and accountancy. Members of staff can now take advantage of laundry and ironing services, key cutting and a bakery, etc.

This type of initiative serves three major social objectives for Air France; promoting disability awareness, providing services to employees, and developing employment for disabled people.

FOCUS

AVIATION SANS FRONTIÈRES IN FRANCE AND THE NETHERLANDS

Aviation Sans Frontières (ASF) and Luchtvaart Zonder Grenzen (ASF The Netherlands) are two sister NGOs which assist humanitarian NGOs with air transportation; medical evacuations, transporting medical teams, emergency assistance, medicines and providing assistance in helping seriously ill children. Air France has supported the work of ASF for many years, and two-thirds of the association's volunteers are current or retired Air France staff. KLM AirCares supports ASF NL, which has just launched a recent awareness campaign to collect frequent flyer miles, both among staff and among passengers who are members of the Flying Blue programme. Thanks to Air Miles donated by frequent flyers, ASF and ASF NL save large sums of money on the cost of providing transport to sick children. At the end of 2010, ASF celebrated its 15,000th child transported.

Contributing to local development at our destinations

Promoting economic development at our destinations

The Group contributes to the development of the territories where it operates by connecting them with 244 destinations in 105 countries. It also contributes through cooperation with local airlines or by sourcing with sub-contractors locally on behalf of the Group, or through the use of local products in meals served onboard.

Air France plays an important part in supporting economic and social development in DOM-TOMs (French-administered territories outside of the European continent), with the voluntary commitment charter on facilitating transport between mainland France and overseas countries, which it signed in 2009, which was then extended in 2010 to include TOM overseas territories.

Tourism has a significant impact on local communities and their living standards. When managed well, it can bring economic prosperity and sustainable development. KLM supports the Chair of Sustainable Tourism at Wageningen University and together with several leisure travel agents and the Dutch government's Sustainable Trade Initiative (IDH), KLM is working on a pilot to develop responsible and sustainable tourism.

The Group also participates in the transfer of skills to countries served through Air France Consulting, or the AïDA Programme (Assistance, Investment, Development in Africa) in Mali, Senegal and Gabon. This programme offers African Ground Service companies the opportunity to professionalise and to expand their skills in IT, equipment and airport facilities maintenance at a training centre (IAMA) in Bamako. 1,150 agents graduated in 2010 from training courses that took place in nine African countries. In March 2010, the IATA recognised the training course on dangerous merchandise, and new courses will be set up such as the catering course (in partnership with Servair) and training for cabin crew.

Sharing the Group's resources for humanitarian and development programmes

The Group has played an active role in providing international development assistance, which is closely linked to its core business. In 2010-11, its total contribution amounted to 10.37 million Euros, in the form of cash donations, free transport for people and equipment, awareness campaigns and other initiatives. The Group also supports various NGOs and associations through skills contribution by staff.

Air France provides logistical support to more than 70 NGO projects, principally involved in providing medical assistance. In 2010-2011, Air France donated 715 tickets to NGOs and transported 8.5 metric tons of medical equipment and medicines free of charge.

Two of Air France Industries' mechanics have provided their know-how to the NGO Aviation Sans Frontières and several of the Group's staff members have been placed at the disposal of the NGO Acting for Life. Air France and KLM provide access to their media channels such as advertising in onboard magazines, videos and — increasingly — social media space to numerous humanitarian organisations.

The Group's structural programmes and partnerships

Air France has a 30-year partnership with the NGO Acting for Life, which supported 67 projects in 2010 in Africa, South Asia and South America on child protection, economic development and sustainable tourism. Moreover, Air France continues to be committed to protecting children who are victims of human trafficking, sex tourism and sexual and economic exploitation through its support of ECPAT, and in particular by financing an awareness campaign which was broadcast onboard.

Air France's Foundation supported 100 projects across 36 countries in 2010. One of the Foundation's main areas of focus since its origin has been street children. At the end of 2010, Air France Foundation and the Samu Social Sénégal opened the new Samu Social Sénégal centre in Dakar.

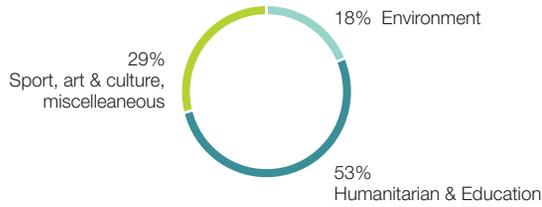
KLM AirCares supports annually 7 non-profit organisations with financial, logistical, and organisational aid: from preventing diseases (malaria in Tanzania), transporting and accompanying seriously ill children from rural Africa to hospitals in Holland, to shipping medical equipment to health clinics and providing education for children, all of which contribute to the benefit and development of the least privileged.

Over 3,000 structural donors and 80 KLM and Martinair employees are highly committed to and actively involved in Wings of Support. This foundation is set up and managed by employees and is active in 20 countries around the globe, supporting over 86 projects. By means of fund raising (2010: 500,000 Euros) and distribution of goods, toys and clothes, Wings of Support offers effective and sustainable care for thousands of children.

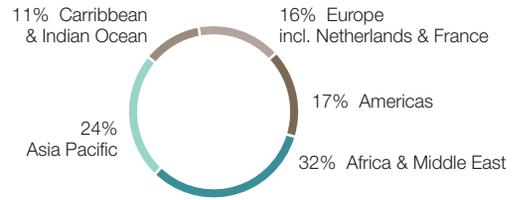
KLM is currently further developing its social policies to enhance the effectiveness of its humanitarian initiatives and to encourage the participation of other actors. As a first step KLM organised a stakeholder dialogue with several international NGOs including Unicef, Oxfam-Novib, Cordaid, ICCO and Plan The Netherlands. With their input KLM works on further shaping of its social policies.



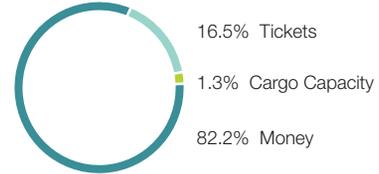
Distribution of Group's contributions by project category



Geographical distribution of funds

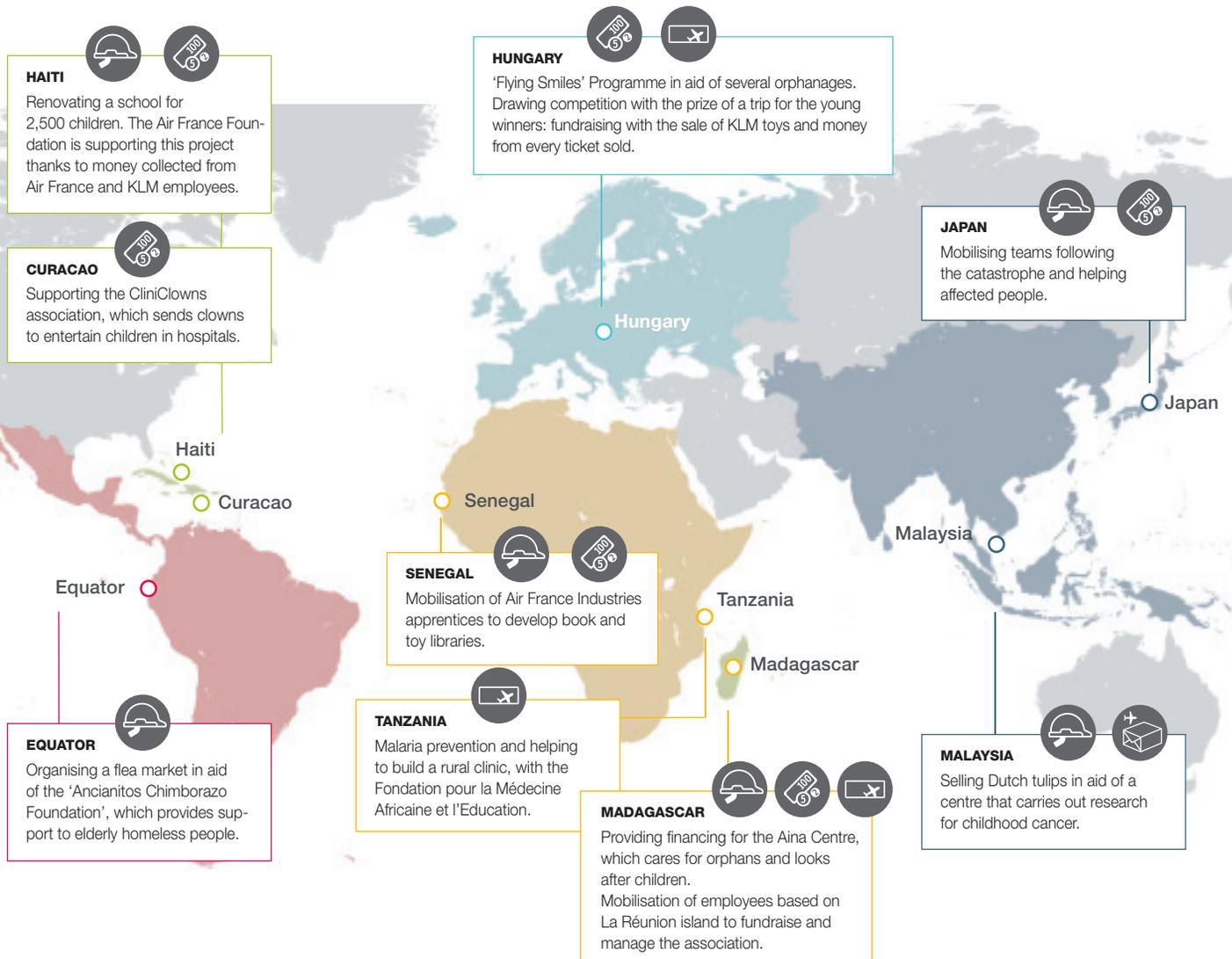


Distribution by type of contribution



Supporting projects throughout the world

Numerous projects throughout the world receive support thanks to the initiative and commitment of local delegations and employees.



Employee initiative



Transporting goods



Financing projects



Plane tickets

FOCUS

THE AIR FRANCE KLM VILLAGE IN THE PHILIPPINES

The Regional Delegation of Air France-KLM in Manila is working alongside the NGO Gawad Kalinka (GK) in its fight against poverty in the Philippines. GK is involved in various initiatives in the fields of infrastructure, child welfare, food self-sufficiency, health, the environment and tourism. The Air France-KLM project is based on building houses to help the most disadvantaged people live in dignity. In three years, the project has gone from 16 to 30, then to 45 houses built. They are now inhabited by families who have moved into their new dwelling place. The success of this initiative is thanks above all to the motivation of the Air France-KLM team, from the additional help they have received from the Asia Pacific division of the Group and from broadening the circle of donors to the project beyond the Philippines. The head of GK, thanks to this support, had the opportunity to come to Europe to present the initiative. One of the notable successes of the project is having motivated more than 200 young students from France to volunteer for work on the Air France-KLM Village construction site.

FOCUS

ENHANCING MOBILITY IN KENYA

The Dutch National Park De Hoge Veluwe has donated over 200 of its famous white bikes (that can be used by visitors of the park) to the NGO Cycling Out of Poverty in Kisumu, Kenya. They provide these bikes to health care workers, entrepreneurs and school children in order to improve their mobility.

Every year around 350 bikes are replaced and Hoge Veluwe wanted to find a sustainable second use for them. Before being shipped to Kenya, the donated bikes are completely refurbished by a group of young people with behavioural problems who receive 24 hour care by the Hoenderloo Group.

KLM Cargo has taken care of all logistics and customs procedures to facilitate the door-to-door transport of the bikes. Based upon the successful cooperation with Hoge Veluwe and the tangible results of this project, KLM Cargo management has decided to repeat these shipments on a regular basis.

POINTS OF VIEW



Creating economic and social value where we operate



Gerrit Barnhoorn,
Managing Director Sher Flowers BV,
flower farm in Ethiopia

Sher expanded to Kenya in 1997 and moved to Ethiopia in 2005. How did you fill in your role regarding social responsibility?

We give priority to the social activities and development of our workers. Currently we employ more than 11.000 employees of which 7.500 directly. Also local suppliers have strong business ties with the Sher Ethiopia flower farm. Right from the start we started building residential houses for all our workers, a hospital, a school, a social hall and a big stadium. Our employees are entitled to a number of benefits like free medical expenses, school for children, insurance. But we also take environmental protection into account; applying all necessary environmental legislation, saving water as much as possible and established a good waste management system to minimize environmental pollution.

What impact does your social policy create and how will Sher Ethiopia fulfill its role in the future?

It creates motivated employees and we experience hardly any turnover of our personnel. Therefore our employees have good expertise and skills regarding flower farming. This has then also a financial effect as our professional employees deliver good flower quality which results in higher sales and less 'failure' in the supermarkets. These purchasers are then more interested in doing business with Sher and willing to pay fractional higher prices. It cuts both ways.

Sher Ethiopia endeavors to create and enhance in all manners on issues related to CSR and the welfare of its workers. Good employees and the trust of our buyers are key elements but also the on time performance of airlines, as KLM, remains an important role for on time delivery which is crucial to our business.



Michael Wisbrun,
Former Executive Vice President
Cargo, KLM. Since 1 June, 2011
Managing Director of SkyTeam

How do you see the role of Air France-KLM regarding 'contributing to local development'?

Through our activities we contribute to economic and social development worldwide by involving local suppliers (e.g forwarders, catering companies, handlers). And also through supporting development projects at our hubs and destinations, we strive to generate economic and social value for local communities.

How can the Group improve the contribution to local communities?

Trade is key to our business. Our challenge is to continue seeking new business opportunities in the countries where we operate and which also benefits local communities, involving local partners and our local offices.

A good example is the implementation of a so-called 'green lane' together with freight agent Blue Skies and a local producer of fruits and vegetables in Ghana. This 'green lane' is an agreement with local customs authorities and ensures that all risks on safety, health, economy and environment are taken care of in the complete chain from producer to importing company. This allows less checks and faster through-put times; extremely important for perishable goods. Another great example, which is given on the left side, is the of our Cargo customer Sher Ethiopia, a flower farm with social responsibility in the heart of its business.



DIALOGUE WITH OUR STAKEHOLDERS

GROUP'S STAKEHOLDERS	MAIN ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES AND RESPONSES 2010-11
<ul style="list-style-type: none"> • Shareholders • Investors • Financial partners • Rating agencies 	<ul style="list-style-type: none"> • Financial information • CSR performance 	<ul style="list-style-type: none"> • Quarterly presentations to analysts • Dedicated financial website • Shareholder Club • Advisory Committee for individual shareholders • Yearly General Shareholders' Meeting: presentation of financial and CSR performance • Annual publications 	<ul style="list-style-type: none"> • Results for improvement by questionnaires of non financial rating agencies (VIGEO, SAM, EIRIS, CDP...) • Other outcomes: see chapter 'Our CSR approach'
<ul style="list-style-type: none"> • Passengers • Cargo customers • Aircraft Maintenance customers 	<ul style="list-style-type: none"> • Service quality • Innovation • Security and flight safety • Awareness-raising on CSR issues • Climate change and CO₂ reduction • Green maintenance 	<ul style="list-style-type: none"> • Customer satisfaction surveys • Materiality test • Dialogue through social media (Twitter, Facebook, Hyves) and other networks • Discussion panel and internet chats (InTouch) • Dialogue with European Association of people with disabilities (European Disability Forum) • Working group on sustainable tourism • Onboard movies about CSR topics • Dedicated business communities e.g. Club Africa, Club China 	<ul style="list-style-type: none"> • More than 500,000 customers questionnaires completed • Feedback of passengers through CSR questionnaire with Flying Blue members • Increased dialogue through social media • fb@home achieved 12,000 active participants • Onboard video on Air France's CSR issues • Air France Industries incorporated the ISO 26000 guidelines • Other outcomes: see chapter 'Building a sustainable relationship with our customers'
<ul style="list-style-type: none"> • Employees • Trade unions • Professional associations and bodies 	<ul style="list-style-type: none"> • Working conditions • Training and mobility • Health and occupational safety • Non-discrimination • Diversity • Social dialogue • CSR awareness-raising 	<ul style="list-style-type: none"> • Perception surveys • Materiality test • Intranet and internal newsletters and papers • Negotiations and signing of collective labour agreements with social partners • Participatory innovation programs at Air France: PIQ, Innovaction and QIS • Regular meetings with governments, with the HALDE (French authority against discrimination) on human resources topics, e.g discrimination, occupation safety • Inter-company working groups (ORSE, ANVIE, IMS...), with disability groups and the French National Federation of Marchant Aviation (FNAM) • Work Council Committees on working conditions, environment and on HR policies • Partnerships with universities 	<ul style="list-style-type: none"> • In-house Air France poll of 6,000 staff each year. Annual Inter'face poll of 7,000 personnel employed outside the home countries • Collective labour agreements (CLA) 2010 signed. Talks with trade unions for innovative joint proposals for CLA 2011 (KLM) • Agreement on gender equality and agreement on prevention of psychosocial risks (Air France) • Corporate travel plan (Air France) • Discussion blog with executives committee members and 2 web-conferences with Air France CEO • National French CSR week: internal forum and conferences (Air France) • Start of Lesbian Gay Bisexual Transgender (LGBT) Network initiated by employees (KLM) • Meeting by works council for all their members in cooperation with management on just culture-safety policy (KLM) • Other outcomes: see chapter 'Promoting a responsible human resources policy'
<ul style="list-style-type: none"> • International, European and National authorities • Certification authorities 	<ul style="list-style-type: none"> • Climate change • CO₂ reduction • Environmental management • Passengers rights • Better knowledge of air transport issues • Carbon accounting 	<ul style="list-style-type: none"> • Dialogue and joint actions with national air transport authorities • Working group on New European Regulations on passengers rights • Draft proposals at AEA and IATA in particular for a global approach to climate change • KLM follows up on Transportation Sector Agreement at Amsterdam Airport Schiphol • Dutch Taskforce Biodiversity • HQE (High Quality of Environment) and LEED (Leadership in Energy and Environmental Design) certificates for sustainable buildings 	<ul style="list-style-type: none"> • Input to environmental and transport ministries on ETS guidelines, and climate policies AF-KLM France and the Netherlands • Contribution of aviation industry at the ICAO 37th assembly • Implementation of the Authority of Financial Market (December 2nd 2010) – Grenelle 2 • Working group AFNOR on ISO 26000 • Working group on carbon footprint calculators and CO₂ accounting (EPE, FNAM, OEET...) • Other outcomes: see chapters 'Our CSR approach' and 'Combating climate change'

GROUP'S STAKEHOLDERS	MAIN ENGAGEMENT TOPICS	MAIN ENGAGEMENT PATHWAYS	OUTCOMES AND RESPONSES 2010-11
<ul style="list-style-type: none"> Suppliers 	<ul style="list-style-type: none"> Environmental and social performances CSR integration in the supply chain Eco-design Local economic and social development 	<ul style="list-style-type: none"> Applying the Sustainability Charter and environmental clauses for tenders Including suppliers in REACH (Registration Evaluation and Authorization for CHemicals) monitoring 	<ul style="list-style-type: none"> Working groups on onboard textile products (Air France) and uniform upcycling (KLM) Working group with suppliers on environmental impacts organized at Group's facilities Launch of concierge services for Air France staff with sheltered sector Other outcomes: see chapter 'Our CSR approach' and 'Building a sustainable relationship with our customers'
<ul style="list-style-type: none"> Air transport industry Airports Air Navigation Service Provider Professional associations 	<ul style="list-style-type: none"> Safety and security Accessibility Ground handling services New aircrafts Sustainable biofuels for aviation CSR involvement Climate change Single European Sky 	<ul style="list-style-type: none"> SkyTeam CSR permanent working group Involvement Air France-KLM in SESAR JU Air France partner of SWAFEA and FCA (Future alternative fuels) Involvement of Air France in CORAC (Committee for civil aviation research) Involvement of Air France-KLM in Sustainable Aviation Fuel Users Group (SAFUG), Support the Roundtable of Sustainable Biofuels Sustainability Board of SkyNRG (JV of KLM, NSG and Spring) with WWF-NL, Solidaridad, University of Utrecht Dialogue with manufacturers and motorists to improve air quality and noise mitigation in line with ACARE 	<ul style="list-style-type: none"> Joint declaration of SkyTeam members to sign UN Global Compact principles for new members CSR SkyTeam meeting organized by Air France (february 2011) Working groups with FNAM and GIFAS on environmental impacts Other outcomes: see chapters 'Our CSR approach' and 'Combating climate change'
<ul style="list-style-type: none"> Local communities Residents associations Local economic players 	<ul style="list-style-type: none"> Noise Air quality Local dialogue Social and economic development Better knowledge of air transport issues 	<ul style="list-style-type: none"> Training and skills-sharing with local associations Roissy area development : 2 Air France staff part time dedicated to Pays de Roissy-CDG association International promotion Roissy Area associations (Aerotropolis, Hubstart, CAREX, ASTeCh) (Air France) Member of the CCE and CCAR of the 10 biggest French airports KLM involvement in Alders Table and CROS (Schiphol Review Board) Cooperation in NS Hispeed (KLM) Working visits and tours at Air France and KLM facilities AIDA programme and IAMA institute (Air France) 	<ul style="list-style-type: none"> Participation to Grand Roissy Assembly and working groups on Orly area Air France contribution to the Grand Paris consultation process 2 issues of "Le courrier Air France" The Alders Table reached an agreement by finding a sustainable balance between growth in number of movements and the ongoing implementation of measures to reduce noise White Paper on air transport endorsed by Dutch Parliament Other outcomes: see chapter 'Minimizing environmental impacts' and 'Contributing to local development'
<ul style="list-style-type: none"> Scientific community Universities Research experts 	<ul style="list-style-type: none"> Climate change Operational procedures Technological performance 	<ul style="list-style-type: none"> IAGOS Program (Air France) Research Technical University Delft (KLM) Support of studies from University Amsterdam Membership in IDUT and supporting the chair Sustainable Tourism of Wageningen University 	<ul style="list-style-type: none"> First data-batch produced by University of Amsterdam as part of 5-year study in work related to health issues (KLM) Research programs on alternative fuels Pilot started on sustainable tourism with IDH and tour operators Other outcomes: see chapter 'Combating climate change'
<ul style="list-style-type: none"> Environmental NGOs 	<ul style="list-style-type: none"> Climate change Fighting against deforestation Biodiversity Partnerships 	<ul style="list-style-type: none"> KLM Partnership with WWF-NL Air France funds programme to combat deforestation run by GoodPlanet and WWF in Madagascar KLM Participation in IUCN (International Union for Conservation of Nature) 	<ul style="list-style-type: none"> Partnership with Landschap Noord Holland to support conservation work in the Schiphol region Other outcomes: see chapter 'Combating climate change'
<ul style="list-style-type: none"> Humanitarian and development NGOs 	<ul style="list-style-type: none"> Humanitarian and development programs 	<ul style="list-style-type: none"> Sponsoring of humanitarian, educational and children projects: Air France Foundation, Acting for Life, KLM AirCares Donation of tickets and free transport Group's employees initiatives: Friends of the Air France Foundation, Wings of Support, Aviation without Borders (France and NL)... Onboard video space for NGO's, ECPAT awareness campaign (Air France) 	<ul style="list-style-type: none"> Stakeholder round table held with 7 humanitarian NGOs with the objective to further shape social policies (KLM) Opening of the new Samu social centre in Dakar with Air France Foundation Other outcomes: see chapter 'Contributing to local development'

GLOBAL COMPACT ON COMMUNICATION ON PROGRESS

Air France-KLM established a Corporate Social Responsibility Statement which covers the ten principles of the United Nations Global Compact. Below an overview of where the information is located in the report regarding these principles and where additional information can be found.

GLOBAL COMPACT PRINCIPLE	PAGES	EXTRA INFORMATION AVAILABLE OUTSIDE THE CSR REPORT	SOURCE
Human Rights (1 & 2)	13, 20, 51-53	Air France-KLM Social Rights and Ethics Charter Contract clause on labour protection, and Sustainability Charter for suppliers	In-house documents, Air France website: http://corporate.airfrance.com/en/sustainable-development KLM website: www.klm.com/csr
Labour Law (3, 4, 5 & 6)	46-53	Air France: Charters for the prevention of harassment at the workplace, for Occupational Safety and Accident prevention, Agreement on psychological and social risks KLM: preamble of the Collective Labor Agreement, Occupational Health & Safety Policy Statement	In-house documents, Air France and KLM websites Air France-KLM Reference Document 2010-11 (pages 74-81)
Environment (7, 8 & 9)	22-37	Code for Good Environmental Practices (GEP) Environmental protection clause for suppliers	In-house documents, Air France and KLM websites Air France-KLM Reference Document 2010-11 (pages 92-101)
Fight against Corruption	16-17, 20	Air France-KLM Financial Code of Ethics Code of Ethics to be signed by Air France and KLM buyers Whistle blower procedures KLM Code of Conduct	In-house documents, Air France and KLM websites Air France-KLM Reference Document 2010-11 (pages 15-16)

GRI CORRESPONDENCE TABLE

GRI 3 principles and recommendations were taken into account for the writing of this report. GRI has performed the Application Level Check to show to which extent the GRI guidelines have been utilized in the report. The check confirmed the A Level. The complete GRI indicators table can be found on the Air France and KLM websites: www.klm.com/csr and <http://corporate.airfrance.com/en/sustainable-development>.

Main chapters of the report	Pages of the report	GRI PRINCIPLES										
		Strategy and Analysis	Organizational profile	Report Parameters	Governance, Commitments and Engagement	Economic performance indicators	Environmental performance indicators	Social, Labor Practices & Decent work	Human Rights performance indicators	Society performance indicators	Product responsibility performance indicators	Sector supplement indicators
Key Figures & Content	2-3		X	X		X		X				X
Foreword	4-5	X										
Challenging dynamics in the air transport industry	6-11	X	X			X						X
Our approach to Corporate Social Responsibility	12-21	X	X		X							X
Combating climate change	22-29				X		X				X	X
Minimizing our environmental impacts	30-37				X		X				X	X
Building a sustainable relationship with our customers	38-45				X		X				X	X
Promoting a responsible human resources policy	46-53				X			X	X			X
Contributing to local development	54-61				X					X		X
Annexes	61-71			X	X		X	X				X



NOTE ON THE METHODOLOGY FOR THE REPORTING OF THE ENVIRONMENTAL INDICATORS

In 2005-06, under the aegis of the Air France-KLM Group's Disclosure Committee, and validated by the college of Statutory Auditors, the Group's environmental performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Économiques*, NRE, May 15, 2001) and the European Regulation (EC 809/2004).

As of the 2007-08 financial year, the Group chose to have a selection of environmental indicators (indicated by the symbols ✓ and ✓✓) verified by one of the Statutory Auditors, KPMG Audit, with the highest level of assurance, reasonable assurance¹, for fuel consumption and related CO₂ emissions for air operations (✓✓) and a limited level of assurance¹ for the other verified indicators (✓).

1/ Scope

Scope covered and scope N-1

For the air operations, the scope is identical to last year and covers:

- All the commercial flights operated by Air France and its subsidiaries Britair, Régional and CityJet. The flights operated by Transavia France have been excluded;
- All the commercial flights operated by KLM and its subsidiary KLM Cityhopper (KLC). In 2010, flights operated by subsidiaries Transavia and Martinair have been included in the indicators of total fuel consumed, and for CO₂ and SO₂ air emissions, excluding low altitude emissions.

For the ground operations, the consolidation scope for the environmental reporting includes:

- All the entities of Air France and KLM located, respectively, in France and The Netherlands. The international outstations are not taken into account;
- The Air France consolidated subsidiaries are Brit Air, Regional, CRMA, Sodexi, Servair and its subsidiaries (only the activities in France), VLM, BlueLink, Transavia France and CityJet are not included in the consolidation scope.

Moreover, for Air France, indicators in the domestic outstations are not reported when the fixed charges invoiced by airports do not provide detailed information. The contribution of the domestic outstations affected by this issue is, however, marginal compared with the published data.

Concerning the Air France Group, the reporting scope is based on worldwide premises representing 88% of the Group.

The KLM consolidated subsidiaries are KLC (KLM CityHopper), KES (KLM Equipment Services), KCS (KLM Catering Services) and KHS (KLM Health Services). Transavia (NL) and Martinair have been excluded from the KLM reporting scope for most of the indicators.

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

2/ Reporting tools

The environmental indicators are assembled at local level via two reporting tools: Osyris (Enablon software) for Air France and CaeSaR for KLM, which are available respectively at each Air France and KLM subsidiary.

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

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

3/ Details and methodology, comments on variations

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

Within the framework of an approach based on continuous improvement, the methodologies used for certain performance indicators have been more precisely defined. When these changes

have a significant impact on the data, comparison with the figures for previous years is not relevant.

3.1/ Air operations

• CO₂ emissions

The decrease for the Group between 2009 and 2010 is proportional to the decrease in Jet Fuel consumption which is a consequence of the unfavorable economic context and the lower level of activity, as in 2009.

Note that the increase for the KLM Group relates to the inclusion of the Transavia and Martinair subsidiaries in the 2010 emissions.

Note that there are differences between the scope of the CO₂ emissions and those of the European Trading Scheme for greenhouse emission quotas (EU-ETS), which do not enable a comparison.

• SO₂ emissions

The calculation is based on the sulphur content of the fuel loaded, on the Amsterdam and Paris platforms, which is applied to all fuel used during the year by KLM and Air France respectively.

The decrease in SO₂ emissions for the Group between 2009 and 2010 is mainly due to a lower average sulphur content in the fuel supplied in 2010 compared to 2009.

• NO_x and HC emissions

Total Emissions

Air France: In 2009, a specific tool was developed to calculate the emissions of NO_x and HC more precisely.

Only emissions for Air France have been reported; the subsidiaries, included in the previous tool in 2008, will be included in the new tool in future.

The calculation methodology is based on the fuel flow 2 methodology by Boeing². For more than 75% of the flights, recorded data has been used to calculate emissions specific to each flight. Emissions for other flights were estimated from the calculated average flight emissions. For these flights, a less precise estimation method was used in 2010 than in 2009. However, the impact on the published data is not significant.

The A380 and B777-300 leisure aircraft, which represent less than 0.5% of the Air France flights, are not currently taken into account in the tool.

KLM: Two distinct methodologies are applied to calculate NO_x and HC emissions depending on the aircraft: the fuel flow methodology and the P3T3 methodology developed by General Electric. In previous years, KLM also reported jettisoned fuel in the HC emissions. With the increased harmonization of the Air France and KLM definitions, the 2008 and 2009 figures for HC emissions now exclude fuel jettison.

Low altitude Emissions

The methodology used for the calculation of low altitude emissions is based on the LTO (Landing-Takeoff) cycle and on engine data communicated by the ICAO³. Taxiing time taken into account is the actual taxiing time, which is more precise than standard values recommended by the ICAO methodology.

• In-flight fuel jettison

An exceptional operation (approximately one flight in 10,000 in 2010) involving the jettisoning of a quantity of fuel in flight to avoid an overloaded plane on landing whenever a flight is aborted. Each operation is effected in close coordination with air traffic control under strict conditions governing geographical location (avoiding urban zones) and altitude (generally at or above 2,000 meters).

• Total noise energy

This indicator was implemented by the Air France-KLM Group to manage the evolution in the noise footprint of its activity. The total noise energy indicator is calculated according to the methodology defined by the DGAC⁴. It applies to all flights with the AF or KLM commercial code operated, franchised and chartered, code share excepted.

The figures are determined by comparing total noise energy calculated for the calendar year with that of 2000. The KLM figures for 2008 and 2009 have been updated following a correction in the calculation of the Global noise energy indicator.

3.2/ Ground operations

• Water consumption

The consumption of water is taken into account for all ground activities. Water used on board flights is not included. In previous years, KLM included part of the water taken onboard but this was excluded in 2010.

• Consumption of other energies

Only the energy consumption for heating and cooling was published in previous years. To be as exhaustive as possible, a new indicator was reported in 2010, including the different sources of energy consumed:

- Natural gas for heating buildings and cooking (catering activity in particular). The conversion factor of the quantity of gas used as energy is calculated by taking into account the quality of gas specific to France and the Netherlands. The consumption of gas increased by 25% between 2009 and 2010 for the Air France Group, due to the cold winter and the inclusion of the Le Bourget entity for the first time in 2010.

- Superheated and iced water for climate comfort. For Air France, superheated and iced water is supplied by ADP (*Aéroports de Paris*) at the Orly and Roissy sites and is used, respectively, for heating and cooling. KLM is not concerned.

- Jet fuel A1 for testing engines.

- Domestic Fuel Oil (DFO) for power generators and ground support equipment.

- Petrol and diesel fuel for vehicles and coaches as well as for ground support equipment.

The increase between 2009 and 2010 is mainly due to the inclusion of these energy sources.

For now, the indicator for KLM Group only includes energy consumption for heating and cooling but the scope of this indicator will be expanded in future to include other sources of energy in line with the new definition.

• Emissions from ground operations (CO₂, SO₂ and NO_x)

CO₂, SO₂ and NO_x emissions and their trends are relative to the energy consumption listed above.

For Air France, the sharp decrease in SO₂ emissions is due to a more precise calculation of the fuel consumed in power generators. NO_x emissions related to engine testing are based on a similar methodology as the one used for flight operations and reflects the actual testing conditions.

• VOC Emissions

VOC Emissions are calculated based on the direct emissions of solvents contained in the products used; VOC contained in removal waste are excluded.

For Air France, the reporting scope has been extended to include third-party orders as well as paint kits. The increase between 2009 and 2010 is mainly due to a more precise estimation methodology to calculate the VOC contained in waste.

• HC Emissions

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

• Hazardous Industrial Waste

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

The nature of recycled hazardous waste is determined based on European standards.

For Air France, the rate of recycling of hazardous waste in 2009 has been updated due to a correction in a figure from a subsidiary.

For KLM, the percentage mentioned reflects hazardous waste that has been recovered for continued use of the substances. The sharp increase between 2009 and 2010 is due to a waste stream following an incident when extinguisher water was identified as hazardous by the waste contractor.

• Effluents

Both Air France and KLM entities are required to comply with the regulations on effluents in each country. Each site has regulatory limits on effluents and the frequency of measurement.

Given the different thresholds and frequencies of measurement between one site or country and another, and due to the very variable readings depending on the measurement, the definition of the indicators has been modified. Since 2009, the number of times regulatory thresholds were exceeded relative to the number of measurements has been taken into account for each type of effluent. For 2010, the results, expressed in terms of the number of times regulatory limits are exceeded as a proportion of measurements were, respectively:

- For Air France, 0/10 for Nitrogen compounds, 0/100 for Phosphorus compounds and 0/692 for metals.

- For KLM, 0/52 for Nitrogen compounds, 0/52 for Phosphorus compounds and 0/364 for metals.

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

¹ The review work was conducted in accordance with the International Standard for Assurance Engagements (ISAE 3000), specific to extra-financial data verification.

² Baughcum, S. L., et al. 'Scheduled Civil Aircraft Emissions Inventories for 1992: Database Development and Analysis, Appendix D: Boeing Method 2 Fuel Flow Methodology Description.' Report NASA CR 4700, The Boeing Company, April 1996.

³ International Civil Aviation Organization.

⁴ Direction Générale de l'Aviation Civile.

Air Operations

	Unit	Air France KLM Group				Air France Group ⁽¹⁾				KLM Group ⁽²⁾				
		2008	2009	2010	10/09	2008	2009	2010	10/09	2008	2009	2010	10/09	
Consumptions														
Consumption of raw materials: fuel √	000 tonnes	8,732	8,021	8,534	6.4%	5,511	5,036	4,860	-3.5%	3,221	2,985	3,674	23.1%	
Emissions														
Greenhouse gas emissions	CO ₂ √	000 tonnes	27,506	25,269	26,879	6.4%	17,360	15,865	15,308	-3.5%	10,146	9,404	11,571	23.0%
Emissions of substances contributing to acidification and eutrophication	NO _x √	000 tonnes	143.5	130.8	130.5	-0.2%	93.6	82.3	82.0	-0.4%	49.9	48.5	48.5	0.0%
	NO _x low altitude (<3,000 ft) √	000 tonnes	8.9	8.9	8.7	-2.2%	6.5	6.2	6.1	-1.6%	2.4	2.7	2.6	-3.7%
	SO ₂ √	000 tonnes	14,925	12,902	10,158	-21.3%	10,108	7,720	6,551	-15.1%	4,817	5,182	3,607	-30.4%
In-flight fuel jettison	SO ₂ low altitude (<3,000 ft) √	000 tonnes	1,084	1,089	0,712	-34.6%	0,794	0,741	0,521	-29.7%	0,290	0,348	0,191	-45.1%
	Occurrences of fuel jettison √	number	47	51	39	-23.5%	32	33	27	-18.2%	15	18	12	-33.3%
Other emissions	Fuel jettisoned √	tonnes	1,804	1,979	1,671	-15.6%	1,184	1,381	1,180	-14.6%	620	595	491	-17.5%
	HC √	000 tonnes	2.8	3.6	3.3	-8.3%	1.6	2.6	2.4	-7.7%	1.2 ⁽³⁾	1.0 ⁽³⁾	0.9	-10.0%
Noise impact	HC low altitude (<3,000 ft) √	000 tonnes	1.1	1.0	0.8	-20.0%	0.8	0.7	0.6	-14.3%	0.3	0.3	0.2	-33.3%
	Global noise energy indicator √	10 ¹² kJ	1.87	1.74	1.65	-5.2%	1.27	1.18	1.10	-6.8%	0.60 ⁽⁴⁾	0.56 ⁽⁴⁾	0.55	-1.8%

√: Figures verified by KPMG for 2010 (limited level of assurance).
 √√: Figures verified by KPMG for 2010 (reasonable level of assurance).

(1) Perimeter Air France Group: all flights under AF code operated by Air France, Brit Air, Régional and CityJet. Flights operated by Transavia France are excluded.
 (2) Perimeter KLM Group: all flights operated by KLM and KLM Cityhopper. Transavia and Martinair are excluded for HC and NO_x emissions. They are included for the first time in 2010 for fuel consumption, CO₂ and SO₂ emissions (exception of low altitude emissions).
 (3) The figures have been updated to enable some comparison between Air France and KLM (fuel jettisoned excluded in this category).
 (4) The figures have been updated due to a mistake found in the Noise Energy calculation module.

Ground operations

	Unit	Air France KLM Group				Air France Group ⁽¹⁾				KLM Group ⁽²⁾				
		2008	2009	2010	10/09	2008	2009	2010	10/09	2008	2009	2010	10 / 09	
Consumptions														
Water consumption √	000 m ³	1,145	979	951	-2.9%	865	742	749	0.9%	281	237	202 ⁽³⁾	-14.8%	
Electricity consumption √	MWh	417,990	421,581	416,149	-1.3%	320,991	327,094	321,818	-1.6%	97,000	94,487	94,331	-0.2%	
Other energies consumption ⁽⁴⁾ √	MWh	336,761	327,150	470,552	N.C.	242,782	232,172	367,748	N.C.	93,979	94,978	102,804	8.2%	
Emissions														
Greenhouse gas emissions	CO ₂ √	tonnes	89,833	84,290	92,569	9.8%	43,357	37,396	47,850	28.0%	46,476	46,894	44,719	-4.6%
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds √	tonnes	142	127	167	31.5%	92	85	132	55.3%	50	42	35	-16.7%
	Emissions of HC	tonnes	N.A.	166	161	-3.0%	N.A.	112	106	-5.4%	N.A.	54	55	1.9%
Emissions of substances contributing to acidification and eutrophication	NO _x √	tonnes	889	917	879	-4.1%	610	639	605	-5.3%	279	278	274	-1.4%
	SO ₂ √	tonnes	26.5	18.7	13.2	-29.4%	21.2	13.2	9.8	-25.8%	5.3	5.5	3.3	-40.0%
Waste														
Waste production	Quantity of non-hazardous industrial waste √	tonnes	61,054	61,067	58,756	-3.8%	43,237	42,664	42,309	-0.8%	17,817	18,403	16,447	-10.6%
	Quantity of hazardous industrial waste √	tonnes	6,084	5,961	5,914	-0.8%	5,006	4,839	4,569	-5.6%	1,078	1,122	1,345	19.9%
	% of hazardous industrial waste recovered √	%	48%	45% ⁽⁵⁾	47%	2 pp	40%	36% ⁽⁵⁾	36%	0 pp	84%	84%	84%	0 pp
Effluents														
Compliance rate of effluents with regulatory limits	Nitrogen compounds √	%	7,030 ⁽⁶⁾	93%	100%	+7 pp	6,890 ⁽⁶⁾	90%	100%	+10 pp	140 ⁽⁶⁾	96%	100%	+4 pp
	Phosphorus compounds √	%	1,659 ⁽⁶⁾	100%	100%	0 pp	1,658 ⁽⁶⁾	100%	100%	0 pp	1.24 ⁽⁶⁾	100%	100%	0 pp
	Metals ⁽⁷⁾ √	%	144 ⁽⁶⁾	99%	100%	+1 pp	141 ⁽⁶⁾	99%	100%	+1 pp	2.9 ⁽⁶⁾	100%	100%	0 pp

√: Figures verified by KPMG for 2010 (limited level of assurance).
 N.A.: not available.
 N.C.: not comparable.

(1) Air France and subsidiaries: Régional, Brit Air, Senvair and its subsidiaries (France only), Sodexi and CRMA. CityJet, Blue Link, VLM and Transavia France are not included.
 (2) KLM and its subsidiaries: KLM CityHopper (KLC), KLM Equipment Services (KES), KLM Catering Services (KCS) and KLM Health Services (KHS). Transavia and Martinair are partially included.
 (3) Water consumption KLM included onboard drinking water in previous years. This has now been excluded.

(4) In 2008 and 2009, were included energy consumptions for cooling and heating: natural gas, fuel oil, iced water and superheated water. In 2010, Air France Group reports also natural gas and fuel oil other than for heating and cooling, gasoline and diesel for vehicles and ground support equipments, and jet A1 for testing engines. KLM Group remains on scope 2008-2009.
 (5) The data was updated as a result of adjustments made to a subsidiary.
 (6) Quantities discharged in effluents in kg.
 (7) Cr, Cd, Ni, Cu, Pb, Sn and Zn.

NOTE ON THE METHODOLOGY FOR THE REPORTING OF THE SOCIAL PERFORMANCE INDICATORS

In 2005-06, under the aegis of the Disclosure Committee, and validated by the college of Statutory Auditors, the Air France-KLM Group's social performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (*Les Nouvelles Régulations Économiques*, NRE, May 15, 2001) and the European Regulation (EC 800/2004).

Since the 2007-08 financial year, the Group has chosen to have a number of its principal social indicators verified by one of the Statutory Auditors, KPMG Audit. These indicators are shown by the symbol \checkmark in the tables on page 69. They are the subject of verification with a limited¹ level of assurance.

1/ Reporting scope

The Air France-KLM Group's social reporting consolidation scope is based on the number of employees (expressed as headcount) on the payroll at the end of the calendar year.

The NRE reporting scope covers 96% of the average employees in the Air France-KLM Group at the end of the calendar year, expressed in full-time equivalent.

The subsidiaries of Air France and KLM over which the Group has at least 50% control, whose acquisition dates back at least one full year and which have at least 300 employees are included in this NRE social reporting scope.

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

The number of employees for the subsidiaries of Air France and KLM comprise only all their employees located respectively in France and the Netherlands, with the exception of CityJet and VLM all of whose employees are included.

- For 2010, the Air France consolidated subsidiaries are: BlueLink, Brit Air, CityJet, VLM, CRMA, Régional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA, CPA, Passerelle and Base Handling), Sodexi and Transavia France, representing 76% of the employees of the subsidiaries in the Air France Group (average employees in full time equivalent).

In 2010, this scope was extended to two new subsidiaries: Base Handling and Passerelle (in the Servair Group).

- For 2010, the KLM consolidated subsidiaries are: Cynifric, Cobalt Ground Solutions, KLM UK Engineering limited, KLM Cityhopper (UK and B.V.), Transavia, KLM Catering Services Schiphol B.V. and Martinair, representing 93% of the employees in the subsidiaries of the KLM Group (average employees in full time equivalent).

In 2010, the reporting scope of the KLM subsidiaries was changed with the withdrawal of two subsidiaries, KES (KLM Equipment Services) and KHS (KLM Health Services) due to the fall in the number of employees in these subsidiaries to below the 300 threshold required for the reporting of the NRE social data.

The reporting period for the Group's social data is based on the calendar year to ensure consistency with the social performance indicators of other French companies. Note that the reporting of financial information is based on the IATA year (April 1 to March 31).

2/ Reporting tools

The indicators are compiled and consolidated using the Osyris software package developed by the company Enablon and deployed across the entire reporting scope. The reliability of the reporting process is supported by precise definitions of each indicator and user guides for contributors to the Osyris tool, available in both French and English. Consistency tests have also been incorporated within the tool. The data is verified and approved locally at the level of each subsidiary by a local verifier who is responsible for the HR statistical data.

This system is supplemented by a general reporting procedure which defines the process for compiling, calculating and consolidating the indicators, based on an instruction memorandum circulated by the Air France-KLM Group's Finance Division.

The consolidation of the Air France-KLM Group's social data is carried out by Air France's Sustainable Development department.

3/ Details and methodology - Commentary on changes in the indicators

The notes below refer to the references in the tables on page 69.

3.1/ Consolidated NRE social data for the Air France-KLM Group table

This table presents the indicators relating to employees, recruitment, departures, the proportion of women employees and those working part time. These indicators are consolidated at the level of the Air France-KLM Group.

• Employees

Note 1: Number of people employed by the Group (expressed as headcount) on both permanent (CDI) and fixed-term contracts (CDD) at December 31 in the reference year. In 2010, the Group's reporting scope was extended to include two new subsidiaries in the Servair Group: Base Handling and Passerelle, i.e. 611 FTE employees (Full Time Equivalent). Two KLM subsidiaries were withdrawn from the reporting scope due to the fall in the number of employees to below the 300 threshold: KES (KLM Equipment Services) and KHS (KLM Health Services), i.e. 432 FTE employees (Full Time Equivalent).

Note 2: Expatriate staff is included in the total number of employees. The number of Air France-KLM Group employees fell by -2.3%, the result of all the measures taken in response to the economic crisis such as the hiring freeze or the review of posts to establish whether or not replacements would be appointed in the event of departures. A voluntary redundancy plan for Air France ground staff was also deployed across the French scope.

The number of KLM employees declined in 2010 given the ongoing measures aimed at freezing recruitment. There were no new hires to fill the posts falling vacant due to retirement departures or resignations, unless required for reasons of departmental continuity. In certain cases, permanent contracts were offered to employees having reached the end of a second short-term contract within KLM.

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

• Recruitment on permanent contracts

The indicator concerns only employees hired on permanent contracts (CDI).

For Air France, the calculation of the number of employees recruited on permanent contracts includes those initially recruited on a fixed-term contract transferring to a permanent contract during the year.

For KLM, only employees recruited directly on a permanent contract are taken into account.

• Recruitment on fixed-term contracts

This indicator was added to the reporting in 2010. At KLM, some of the recruitment on fixed-term was justified by the fact that, in certain cases, the occupancy of the post was vital but the financial situation did not enable the company to guarantee employment on a permanent contract.

• Departures

Note 4: The other leavings indicator has been added for the 2010 reporting and notably includes expected retirement departures, the non-renewal of contracts during the trial period and departures linked to the voluntary redundancy plan.

For Air France, a significant number of departures for other reasons is linked to the voluntary redundancy plan for ground staff across the French scope.

For KLM, the employment situation looks to be stabilizing given the economic environment and the specific situation of air transport.

• Percentage of women - Organization of working time

Note 5: The indicators linked with the proportion of women and the organization of working time are including both permanent and fixed-term contracts at December 31 of the reference year.

3.2/ Other social data tables

The indicators reported in the other social data tables are subject to different qualification and legal reporting obligations in France and the Netherlands, which means they are not comparable and need to be presented separately for Air France and KLM. The subsidiaries concerned in these tables are listed in the reporting scope section above.

• Health and safety in the workplace - Absenteeism

Cases of barometric otitis and musculoskeletal disorders are recorded as work-related accidents in France and represent much of the work-related accidents reported by Air France in 2010, whereas they are recorded as sick leave by KLM, pursuant to Dutch law.

Air France: The absenteeism rates are calculated on the basis of a ratio of the hours of absence divided by the hours theoretically worked.

Note 1: The increase in the rate of absenteeism is mostly linked to a more detailed calculation of the hours worked by flight crew from which, as of 2010, have been deducted the statutory holidays.

KLM:

Note 1: The calculation was changed in 2010 in order to come into line with that of the government body responsible for recording the national rate of absenteeism (Centraal Bureau voor de Statistiek) and includes the monitoring procedures to protect the quality of recorded data, which led to a slight increase in the rate of absenteeism.

A calculation error was also noticed in the rate of absenteeism in the previous years: the data prior to 2010 should be around 17% higher than the reported figures.

• Health and safety - work-related accidents

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

Air France: Air France's definition of workplace accidents with days lost is in line with the definition under French law (at least one day of absence from work).

After a significant decline in work-related accidents in recent years, there was an increase in 2010.

In 2011 the outlook will depend on the results of a major managerial initiative including the deployment of a safety in the workplace status report in the management committees, team meetings, briefings and an action plan based on the sharing of best practices in the prevention of work-related accidents.

Note 2: The frequency and severity rates are calculated based on:

- or ground staff, the actual paid hours worked;
- for flight crews, the hours of commitment, corresponding to the

number of hours of exposure to occupational risks within the framework of their activity on the ground and in flight.

The increase in the frequency and severity rates between 2009 and 2010 is mostly explained by the change in reporting methodology for the hours worked by ground staff (theoretical hours worked in 2009 versus paid hours worked in 2010).

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

KLM subsidiaries: **Note 3:** Linked to the lack of homogeneity in the process for monitoring the data, the health and safety data of the KLM subsidiaries are calculated without the Cobalt Ground Solutions subsidiary.

• Training

Air France and Air France subsidiaries:

Note 3: The Percentage of payroll devoted to training indicator corresponds to the overall costs linked to professional training (payroll relating to staff immobilized by training, fixed functioning costs, external costs, accommodation, mandatory payments, etc.) over the total payroll. These estimated costs are reported in the 2483 French Regulatory Declaration relating to company contributions to training.

The Number of training hours by employee and Participation rate indicators are calculated based on all the training sessions, independently of whether or not their nature requires them to be included in the 2483 French Regulatory Declaration.

In 2010, following the hiring freeze, the reduction in the number of employees and the optimization of the training offer, the need for internal training was reduced.

The number of ground staff transferring to cabin crew positions also declined (200 hours of training per transfer).

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

Due to an increase in the level of activity in production centers such as call centers linked to a several instances of major operating disruption (volcanic eruption in April 2010, heavy snowfall in December 2010; etc.) some of the training foreseen in the training plan was unable to be carried out.

Note 5: the data for the Air France subsidiaries have been calculated without Transavia France.

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

Note 4: KLM and its subsidiaries have reported data on the costs relating to professional training since 2009. This year, the Percentage of total payroll devoted to training indicator has been added to the training indicators reported.

Over 2010 as a whole, the cost of vocational training increased, showing that KLM has not sought to save money in this area.

• Number of disabled employees

Air France and Air France subsidiaries: For Air France, the number of disabled employees reported corresponds to those for whom a valid certificate, pursuant to French law (DOETH), is available, whatever their ability to perform the tasks involved in their position. Note that the data for international employees is reported based on local legislation.

Note 4: For Air France: the increase in the number of employees with disabilities and the disabled employment rate at Air France is notably explained by significantly higher recourse to the protected sector. The number of employees with disabilities remained stable despite the retirement departures; thirty employees were recruited despite the external hiring freeze in application of the 2009-11 three-year agreement.

Note that the number of employees with disabilities corresponds to the number of permanent and fixed-term contracts signed during the year; an employee recruited on a fixed-term contract who then transfers to a permanent contract during the year will be reported twice.

Note 6: For the Air France subsidiaries: The increase in the number of employees with disabilities in the subsidiaries is explained by the increase in the reporting scope and by a pro-active policy on the hiring of persons with disabilities, particularly at the Servair Group which has signed a specific agreement in this regard.

KLM and KLM subsidiaries: For KLM, an individual is considered to be disabled if unable to carry out his or her work or any other work at an equivalent salary level. This requires the employer and the employee to look for another position with a salary as near as possible to the previous level and gives the employee the right to get government benefits to compensate for the possible difference.

Note 2: Due to a change in Dutch law, the number of disabled employees working for KLM declined between 2009 and 2010.

The data for the KLM subsidiaries have been calculated without Martinair.

• Collective agreements signed

The agreements signed were verified for the first time in 2010.

In 2010, KLM signed a protocol covering three new collective agreements which will expire in September 2011.

¹ The review work was conducted in accordance with the International Standard on Assurance Engagements (ISAE 3000), specific to the verification of extra-financial data verification.

² Annual declaration mandatory under French law.

Consolidated social data for Air France-KLM Group

SOCIAL INDICATORS

NRE social data ⁽¹⁾	Air France-KLM group				Air France group*				KLM Group**			
	2008	2009	2010	10/09	Total Air France group		from which Air France		Total KLM Group		from which KLM	
Headcount at 31/12 (permanent contracts and fixed-term contracts)					2009	2010	2009	2010	2009	2010	2009	2010
Scope of NRE social reporting ✓	96%	96%	96%	0.0%	95%	95%	100%	100%	99%	98%	100%	100%
Total staff ✓ ⁽²⁾	110,878	108,367	105,928	-2.3%	72,191	70,722	60,686	58,485	36,176	35,206	28,700	28,383
Ground staff	75,668	73,015	70,747	-3.1%	50,333	48,979	41,333	39,228	22,682	21,768	17,668	17,236
Cabin crew	26,308	26,121	26,144	0.1%	16,290	16,297	15,081	15,083	9,831	9,847	8,325	8,491
Cockpit crew	8,902	9,231	9,037	-2.1%	5,568	5,446	4,272	4,174	3,663	3,591	2,707	2,656
Staff under permanent contract ✓ ⁽³⁾	104,601	104,425	102,045	-2.3%	70,342	68,727	59,506	57,336	34,083	33,318	27,700	27,392
Recruitments under permanent contract												
Ground staff	2,594	1,315	1,202	-9%	819	901	440	453	499	301	169	143
Cabin crew	995	111	124	12%	99	52	99	7	12	72	12	70
Cockpit crew	691	136	57	-58%	133	57	114	37	3	0	3	0
Total ✓	4,280	1,562	1,383	-11%	1,051	1,010	653	497	514	373	184	213
Recruitments under limited contract ✓	N.A.	N.A.	3,084		N.A.	2,432	N.A.	623	N.A.	652	N.A.	248
Leavings												
Ground staff	4,804	6,232	6,826	10%	4,303	5,448	2,665	3,533	1,929	1,378	1,089	765
Cabin crew	1,047	1,435	1,709	19%	737	880	628	678	698	829	189	251
Cockpit crew	355	246	281	14%	181	211	151	168	65	70	50	50
Total leavings ✓ ⁽⁴⁾	6,206	7,913	8,816	11%	5,221	6,539	3,444	4,379	2,692	2,277	1,328	1,066
of which resignations ✓	3,011	1,795	1,728	-4%	736	744	534	525	1,059	984	662	439
of which redundancies (incl. Economic) ✓	1,208	1,177	662	-44%	631	448	374	263	546	214	89	52
of which retirements ✓	1,852	1,644	1,583	-4%	1,286	1,186	1,099	1,132	358	397	326	370
of which deaths ✓	135	155	129	-17%	114	95	100	85	41	34	34	27
of which other leavings ✓	N.A.	N.A.	4,714		N.A.	4,066	N.A.	2,374	N.A.	648	N.A.	178
Percentage of women at 31/12 ✓⁽⁵⁾	42.9%	42.6%	42.5%	-0.1%	43.0%	43.0%	44.4%	44.6%	41.6%	41.6%	42.0%	42.7%
Ground staff	37.0%	36.8%	36.4%	-1.0%	39.9%	39.6%	40.9%	40.8%	29.9%	29.2%	28.7%	28.8%
Cabin crew	72.2%	71.8%	71.9%	0.2%	65.4%	65.5%	64.7%	64.8%	82.3%	82.4%	82.3%	82.7%
Cockpit crew	5.5%	5.5%	5.6%	1.3%	6.2%	6.4%	6.7%	6.8%	4.5%	4.4%	4.2%	4.2%
Part time employment at 31/12 ✓⁽⁶⁾												
Percentage of females part-time employees ✓	39.9%	42.2%	42.6%	1.0%	32.7%	33.2%	35.2%	35.7%	61.6%	62.0%	64.5%	64.5%
Percentage of males part-time employees ✓	10.1%	10.3%	10.9%	5.2%	7.0%	7.5%	7.5%	8.0%	16.8%	17.4%	16.7%	17.2%
Percentage of part time employees ✓	22.9%	23.9%	24.4%	2.2%	18.1%	18.6%	19.8%	20.3%	35.4%	36.0%	36.7%	37.4%

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

Air France (100% of the staff headcount, registered and payed)*			
Absenteeism ⁽¹⁾	2009	2010	10/09
Due to illness			
Ground staff ✓	2.9%	3.3%	13%
Cabin crew ✓	4.6%	5.8%	28%
Cockpit crew ✓	1.8%	2.3%	27%
Due to work accidents			
Ground staff ✓	0.5%	0.5%	17%
Cabin crew ✓	0.7%	0.8%	27%
Cockpit crew ✓	0.3%	0.2%	-28%
Maternity leave			
Ground staff ✓	0.7%	0.8%	12%
Cabin crew ✓	2.5%	3.5%	42%
Cockpit crew ✓	0.3%	0.4%	32%
Health and safety			
Total workplace accidents ✓	2,388	2,454	3%
Number of fatal workplace accidents ✓	13	2	-85%
Frequency rate of workplace accidents ✓ ⁽²⁾	26.62	29.14	9%
Severity rate of workplace accidents ✓ ⁽²⁾	0.95	1.05	11%
Training⁽³⁾			
Percentage of total payroll devoted to training ✓	8.7%	8.4%	-4%
Ground staff ✓	5.6%	5.6%	0%
Cabin crew ✓	9.2%	8.8%	-4%
Cockpit crew ✓	15.3%	14.2%	-7%
Number of training hours by employee ✓	34	31	-10%
Ground staff ✓	27	25	-6%
Cabin crew ✓	37	31	-17%
Cockpit crew ✓	96	82	-15%
Participation rate (number of agents trained/workforce) ✓	92%	90%	-2%
Ground staff ✓	88%	86%	-2%
Cabin crew ✓	100%	100%	0%
Cockpit crew ✓	100%	100%	0%
Disabled staff⁽⁴⁾			
Total staff with disabilities ✓	1,447	1,602	11%
Ratio of disabled staff (under French law) ✓	3.58%	3.92%	9%
Total staff with disabilities recruited during year ✓	7	30	329%
Collective agreements ✓	16	19	

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

Subsidiaries Air France			
	2009	2010	10/09
Scope of reporting for Air France subsidiaries	73%	76%	4%
Health and safety			
Total workplace accidents ✓	931	944	1%
Training⁽³⁾			
Participation rate (number of agents trained/workforce) ✓	90%	96%	7%
Ground staff ✓	88%	96%	9%
Cabin crew ✓	92%	97%	5%
Cockpit crew ✓	99%	98%	-1%
Number of training hours by employee ✓	25	24	-2%
Ground staff ✓	19	19	0%
Cabin crew ✓	30	31	3%
Cockpit crew ✓	60	55	-8%
Disabled staff⁽⁴⁾			
Total staff with disabilities ✓	385	434	13%
Total staff with disabilities recruited during year ✓	38	47	24%
Collective agreements ✓	35	25	

✓: indicators verified by KPMG for 2010 (limited level of assurance).

N.A.: Not available

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

Air France subsidiaries: Brit Air, BlueLink, CRMA, CityJet, VLM, Régional, Sodexi, Transavia France and Servair Group; ACNA, Bruno Pégionier, OAI, Servair SA, CPA, Passerelle, Base Handling.

** KLM Group: KLM and KLM subsidiaries.

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

Other data for KLM (according to local legislation)

KLM (100% of the staff headcount, registered and payed)*			
Absenteeism ⁽¹⁾	2009	2010	10/09
Due to illness			
Ground staff ✓	4.9%	6.7%	37%
Cabin crew ✓	5.8%	7.1%	22%
Cockpit crew ✓	3.6%	4.0%	11%
Maternity leave			
Ground staff ✓	0.2%	0.3%	40%
Cabin crew ✓	1.5%	1.7%	15%
Cockpit crew ✓	0.1%	0.1%	40%
Health and safety			
Total workplace accidents ✓	252	225	-11%
Number of fatal workplace accidents ✓	0	0	0%
Frequency rate of workplace accidents ✓	5.40	4.90	-9%
Severity rate of workplace accidents ✓	0.19	0.24	26%
Disabled staff			
Total staff with disabilities ✓ ⁽²⁾	713	641	-10%
Training⁽³⁾			
% of wage bill devoted to training	N.A.	3.2%	
Total training costs in k€ ✓	60,847	62,667	3%
Total training costs in € per full time equivalent ✓	2,500	2,645	6%
Collective agreements ✓	3	3	

* KLM: Data concerns KLM without international staff.

KLM Subsidiaries			
	2009	2010	10/09
Scope of reporting for KLM subsidiaries	97%	93%	-4%
Health and safety⁽²⁾			
Total workplace accidents ✓	149	199	34%
Number of fatal workplace accidents ✓	0	0	0%
Frequency rate for workplace accidents ✓	10.34	27.64	167%
Severity rate of workplace accidents ✓	0.16	0.19	19%
Disabled staff			
Total staff with disabilities ✓ ⁽²⁾	76	66	-13%
Training⁽³⁾			
% of wage bill devoted to training	N.A.	4.2%	
Total training costs in k€ ✓	18,054	22,584	25%
Total training costs in € per full time equivalent ✓	2,143	2,782	30%
Collective agreements ✓	6	11	

✓: indicators verified by KPMG for 2010 (limited level of assurance).

N.A.: not available.

ONE OF THE STATUTORY AUDITORS' REPORT ON A SELECTION OF ENVIRONMENTAL AND SOCIAL INDICATORS OF AIR FRANCE-KLM GROUP FOR YEAR ENDED DECEMBER 31, 2010

As requested and in our capacity as Statutory Auditors of Air France-KLM Group, we performed a review in the aim of providing:

- A limited level of assurance on a selection of environmental and social indicators for the year ended December 31, 2010 selected by Air France-KLM Group and identified by the symbol √.
- A reasonable level of assurance on the indicators 'fuel consumption' and 'CO₂ emissions' related to air operations for the year ended December 31, 2010, identified by the symbol √√.

This selection of indicators ('the Data') is presented in the tables 'environmental indicators' and 'social indicators' of the '2010-11 Reference Document' and the '2010-11 Corporate Social Responsibility Report' of Air France-KLM Group.

These Data were prepared under the responsibility of the Air France-KLM Group's Environment and Sustainable Development division in accordance with the internal performance reporting procedures, which may be consulted at the Group's head office ('the Protocol'). The notes on the methodology for the reporting of the social and environmental indicators, provided with the tables 'environmental indicators' and 'social indicators', specifies Data collection or calculation methodologies used to calculate the indicators published.

Our role is to provide a conclusion on the Data selected based on the work performed. The conclusions expressed below relate solely to this Data and not to all of the Air France-KLM Group's '2010-11 Reference Document' and the '2010-11 Corporate Social Responsibility Report'.

Nature and scope of the work

We conducted our procedures in accordance with ISAE 3000 standard, in compliance with applicable professional guidelines in France.

Limited assurance

We conducted the following limited procedures in order to provide limited assurance that the selected Data identified by the symbol √ did not contain any material anomalies. A higher level of assurance would have required more extensive work.

- We assessed the reporting Protocol relating to environmental and social performance indicators with regard to its relevance, reliability, neutrality, understandability and completeness.
- We conducted interviews with the Group's Environment and Sustainable Development division in order to update our knowledge of the reporting process and of the organization in place, as well as to ascertain that the reporting Protocol had been applied correctly.
- We performed tests on the implementation of the Protocol on a sample of entities' ("the selected Entities"). For the selected Entities, we verified that the Protocol had been understood and implemented correctly, and we performed arithmetic tests, on a sample basis, on the calculation of these Data and reconciliations with supporting documents.
- We performed consistency tests on the Data consolidation at Group level. The contribution of the selected Entities to the published Data represents an average of 77% for consolidated environmental Data published and 68% for consolidated social Data published.

Reasonable assurance

For the indicators 'fuel consumption' and 'CO₂ emissions' related to air operations, identified by the symbol √√, the work performed is more

extensive specifically concerning tests on spot check basis and enables us to provide a reasonable level of assurance.

We were assisted in our work by the Environment and Sustainable Development professionals of our firm.

Comments on the Group's reporting Protocol and implementation

Based on the work performed, the following comments were made on the reporting Protocol and its implementation:

- Due to differences between legislative frameworks, the definitions of some social indicators are different between Air France and KLM. The figures are disclosed separately and cannot be compared.
- The internal control system has been improved at Air France Data consolidation level, due in particular to more consistency checks being performed, but needs to be strengthened at the level of:
 - environmental Data consolidation for KLM ground operations;
 - Data collection and validation for Air France, in particular regarding the indicators related to industrial waste;
 - Data collection tools for Air France regarding the 'Volatile Organic Compounds - VOC emissions' and 'industrial waste' indicators.
- The Protocol has been completed, in particular the indicator 'Consumption of other energies' for ground operations has been created and the indicator 'total payroll devoted to training' has been broadened to KLM. However:
 - the definitions and the scope of the Data collection for some environmental indicators could be further harmonized between Air France and KLM, in particular for the air operations indicators;
 - for Air France, the calculation or estimation methodologies of some indicators (for the indicator 'Volatile Organic Compounds - VOC emissions' and the indicators related to training in particular) could be specified in order to justify their relevance and to harmonize the collection processes of the reported Data.
- The Group continued the formalization of the reporting scope, in particular for Air France, and the extension to its subsidiaries, for instance by integrating the KLM subsidiaries Transavia and Martinair to the scope of some environmental indicators. However, the integration of the significant subsidiaries to the environmental and social reporting scope should be pursued in 2011, in order to ensure that all the Data are reported based on a Group scope.

Conclusion

Limited assurance

Based on our work, we did not identify any material anomalies likely to call into question that the examined Data appearing in the tables 'environmental indicators' and 'social indicators' of the '2010-11 Reference Document' and the '2010-11 Corporate Social Responsibility Report' of Air France-KLM group, identified by the symbol √, have been prepared, in all material aspects, in accordance with the above-mentioned Protocol.

Reasonable assurance

In our opinion, the indicators 'fuel consumption' and 'CO₂ emissions' related to air operations, identified by the symbol √√, have been established, in all material aspects, in accordance with the above-mentioned Protocol.

Paris la Défense, May 31, 2011

KPMG Audit

Département de KPMG S.A.

Valérie Besson, Partner

Michel Piette, Partner

¹ **Environment:** Direction Générale Industrielle Air France (Roissy, Orly et Villeneuve Le Roi), Direction Générale de l'Exploitation Air France (Roissy et Orly), Air France Cargo Roissy, Direction du Siège Air France (Roissy), Servair Group and its subsidiaries (Servair 1, Acna Roissy), CRMA, KLM Schiphol for ground operations.
Air France and its subsidiaries CityJet, Brit Air and Régional, KLM and KLM CityHopper for air operations.
Social: Air France in France, BlueLink, KLM, Transavia, Martinair.

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List of main abbreviations

AEA	Association of European Airlines	GRI	Global Reporting Initiative
CCAR	Consultative Commission for Aid to Local Residents	IATA	International Air Transport Association
CCE	Environmental Advisory Committees	ICAO	International Civil Aviation Organization
CO ₂	Carbon dioxide	NOx	Nitrogen oxide
DJSI	Dow Jones Sustainability Index	QSE	Quality, Safety and Environment
ETS	Emission Trading Scheme	Roissy-CDG	Roissy-Charles de Gaulle airport
		SESAR	Single European Sky ATM Research

Document produced by

Air France
Environment and CSR Division

45, Rue de Paris
95747 Roissy CDG Cedex
France

KLM Royal Dutch Airlines
CSR Office

Postbus 7700
1117 ZL Schiphol
The Netherlands

For more information please visit:
<http://corporate.airfrance.com> and www.klm.com/csr

If you have any questions, you can send an e-mail to:

mail.developpementdurable@airfrance.fr and csr@klm.com

AIRFRANCE KLM

www.airfranceklm.com
www.airfranceklm-finance.com



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