

AIRFRANCE KLM

Corporate Social Responsibility Report
2008-09





Corporate social responsibility has always seemed to me one of the highest possible ambitions for a business leader. It has inspired the way that central managements at Air France and KLM have led their companies and the Group that we have formed together, and it continues to do so.

Seeking to improve corporate governance, we have separated the functions of Chairman and Chief Executive Officer. Although I have relinquished my operational responsibilities, I retain the same convictions as before and am convinced that Air France-KLM will make even more progress on the road to sustainability.

Jean-Cyril Spinetta
Chairman of the Board of Directors
of Air France-KLM

107,000

FULL-TIME EQUIVALENT WORKFORCE

621

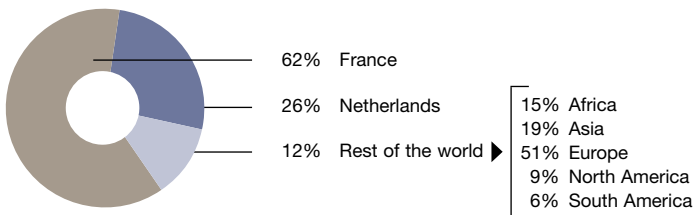
AIRCRAFT IN OPERATION

244

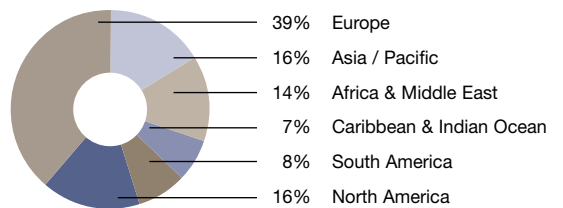
DESTINATIONS IN
104 COUNTRIES



Breakdown of the Group's workforce
(in full time equivalent, 31 March 2009)



Breakdown of passenger revenue
by destination, 2008-09



The information in this report relates to the 2008-09 financial year, started on 1 April, 2008 and ended on 31 March, 2009. Where information relates to a different time frame, this is explicitly stated.

74.5

MILLION PASSENGERS
CARRIED

79.7%

SEAT LOAD FACTOR

1.5

MILLION TONS OF
CARGO CARRIED

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Asia / Pacific
22 destinations

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How to read this report

• This report consists of four sections

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

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

The third section, which is divided into five sub-sections, describes our five key issues and the way we deal with them. In the final part of the report, you will find our key performance indicators, details of our reporting methodology and the opinion of one of the group's statutory auditors.

• Joint commitments, specific management objectives for each company

In the present report, each of the five key CSR issues begins with a presentation of the joint ambitions and action plans deployed by Air France and KLM. This is followed by an expository text fleshed out with key indicators and figures.

The tables on pages 50 to 53 present the environmental and social indicators in reference to the NRE ("New Business Regulations") Act in force in France.

• Group relations with stakeholders

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

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



In the face of the crisis, we are responsive and determined

The ongoing economic crisis is violently affecting all continents and activity sectors. As a key driver of trade and globalization, air transport has been particularly hard hit by it.

Confronted with a sudden slump in cargo and passenger traffic that has had a major impact on premium customer activity, Air France-KLM recently posted its first loss. In response, we have implemented a draconian cost-saving drive. We are adjusting capacity to reduced demand. We are focusing our entire Group on preserving cash, a vital objective in the present environment. And we are leveraging our strengths to the hilt. These include the synergies between our airlines, the coverage and quality of our network, the professionalism of our workforce, our modern fleet, and the capacity of our hubs. We are energetically meeting all these challenges head-on so that we will be good and ready when economic recovery takes off.

The dramatic disappearance of flight AF 447 between Rio de Janeiro and Paris has plunged hundreds of families into mourning and devastated our Group. We share the pain of the families and friends of those passengers and crew who lost their lives. Our staff immediately rallied round to provide material, practical or quite simply human support. We are contributing our full and transparent support to the investigation launched by the competent authorities and will spare no effort in implementing its lessons.

However deeply this disaster distresses us, it has not undermined our confidence in our work and its future. It further strengthens our determination to consider flight safety the founding principle of our activity and the constant concern of all Group business sectors and personnel.

At the same time, we continue to drive our corporate social and environmental responsibilities. Air France-KLM's commitment to sustainability, enshrined in our signing of the UN Global Compact, our corporate social responsibility statement, and our Social and Ethical Charter, is increasingly taking root in our day-to-day reality. The leadership of our Group, which has been included in all non-financial rating indexes, is widely acknowledged, a fact that confers duties on us as it honors us.



We again confirm this commitment today. It is true that the crisis is limiting visibility for us. But we have a number of simple, clear markers to get our bearings.

Jobs: mutually supportive action

Our priority is to do everything in our power to safeguard the jobs of people working for the Group, despite the fact that the deteriorating business climate is forcing us to reduce our costs. The measures we are taking, which so far are both temporary and reversible, call for mutual support, responsibility and fairness. We have frozen new hiring, and people taking retirement in the natural course of things are not being replaced. We are doing everything we can to boost geographic and professional mobility, develop cooperation between departments and entities, and strengthen training and skills. And we will continue to strive for equal opportunity, to foster diversity and to prevent discrimination in all its forms.

Customers: aiming for excellence through service

Our customers are our *raison d'être*. As we seek to earn and strengthen their trust in us, our watchwords are responsiveness and innovation as we work to discover and predict their needs so that we can satisfy them, adapt our network and products using the latest technologies and engage our customers in our corporate social responsibility initiatives. In a context of global competition made even fiercer by the crisis, we have no lack of strengths, provided we can competitively differentiate ourselves by striving for service excellence.

Territories: contributing to social and economic development

We owe a great deal to the territories where we operate, in France and the Netherlands and elsewhere around the world. We also bring them direct and indirect benefits and will continue to play a driving economic and social role there, developing skills and investing in development programs. We will also pursue the humanitarian initiatives to which the Group and its people are so strongly attached.

Environment: reducing our local impacts

Our goal is to control and minimize our environmental impacts at local level. For people living in the vicinity of airports, the most sensitive of these are noise hindrance and emissions that adversely affect air quality. Definite progress has been made and we will continue down this path by operating more modern aircraft and more suitable procedures. We are controlling our consumption and waste levels through a sophisticated environmental management system. And we are making progress in the field of eco-design, which builds in product end-of-life concerns, right from the outset. Employees at all levels are contributing actions and ideas.

Climate change: doing our share of the collective effort

Crisis or not, we are still intent on playing our part in the fight against global warming. We will do this first by continuing to modernize our fleet, optimize our fuel consumption and our flight procedures, and actively support research into substitution energies (notably into biofuels that do not compete with the food chain). We are also pro-active in advancing the proposals developed by the airline industry for the forthcoming Copenhagen Summit, which should integrate international air transport into a global agreement which we hope will be effective, pragmatic, and fair.

In today's particularly uncertain environment, we know that by combining responsiveness and determination we will be able to better shoulder our economic, social and environmental responsibilities.

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

Peter Hartman
Chief Executive Officer of KLM

Understanding the sector and the group

Air transport sector issues

Air transport's contribution to the global economy

The airline industry stimulates today's global economy by helping to develop trade and tourism, generating market opportunities

and fostering intercultural exchanges. According to the International Air Transport Association (IATA), airlines carry 2.2 billion

passengers a year, amounting to 35% of inter-regional trade and 40% of tourist travel. Some 32 million people are employed in the sector.

Impact of the global economic crisis

Fallout from the sudden fall-off in demand

Air transport is being especially hard-hit by the fallout from the global economic crisis. Spending on transport was one of the first items to be slashed in company budgets, which has had a major impact on business traffic.

After several years of uninterrupted growth in airline activity and a first year – 2007 – when the airline industry returned to profit after six consecutive years of losses, IATA estimates,

in June 2009, that the industry lost more than 10 billion dollars in 2008. Growth in demand was around zero in 2008, compared with 5.9% the previous year. For 2009, IATA is forecasting an overall 8% drop in air traffic.

The downturn in goods transport has been even faster and more brutal, with a very sharp fall of around 23% in the amount of air freight carried during the first quarter of 2009, reflecting the sharp decline in industrial production and the collapse of world trade.

The airline industry's response

Unlike previous crises, airlines responded to this one by very rapidly reducing capacity. For summer 2009, European and US airlines have made cuts in long-haul capacity of 3.2% and 2.4% respectively, with cuts rising as high as 12% at Indian and Chinese airlines. In January 2009, only the Gulf airlines were still forecasting capacity growth, of around 20%.

Constant external pressures on air transport

Oil price volatility has direct repercussions on airlines' economic performance; jet fuel accounted for 24% of costs in 2008, compared with 9% a decade earlier.

The airline industry, which generates around 2% of man-made CO₂ emissions, is under severe regulatory pressure from the European Union, for instance, with the issue of the sector's integration into the EU Emissions Trading Scheme (ETS) which, if wrongly designed, could lead to a real distortion in competition (*see our public positions pp. 11 and 21*).

States keep on experimenting with air travel taxation for various reasons. Fortunately, the Netherlands decided to suspend its "environmental" departure tax when it became clear that this was primarily diverting passengers to airports in neighboring countries.

Airlines are also being confronted both with increasingly strict consumer protection regulations, requiring e.g. compensation for flight delays, or fare transparency, which do not apply fairly to all airlines, and with

increasingly stringent security regulations for customers.

What's more, unlike rail and road transport, the airline industry finances all of its own ground and in-flight infrastructure costs, as well as its safety and security costs.

In the value chain, airlines are subject to ever increasing costs and charges imposed by monopolistic or oligopolistic suppliers such as airports, ATC providers, manufacturers etc.



Air France-KLM: a global airline industry leader

Air France-KLM: One Group, Two Airlines, Three Businesses

Air France-KLM is the world's leading airline by turnover and comprises a holding company and two airlines that have retained their separate brands and identities. The group operates in three business sectors: passenger transport, cargo transport and aircraft maintenance services, for their own fleets and third-party airlines.

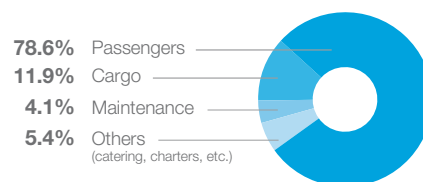
In 2008, the group further developed its deep-rooted presence in Europe and North America on the strength of joint ventures between Air France and Delta Air Lines and between KLM and Northwest Airlines, while pursuing a coherent consolidation strategy. After obtaining overall anti-trust immunity for Air France and KLM, Delta and Northwest from the US Department of Transportation (DoT), and the merger of Delta and Northwest, an integrated transatlantic joint-venture was

implemented for joint network management and the sharing of revenues and costs.

The purchase of VLM, one of Europe's foremost regional carriers mainly specialized in business travel, was an opportunity for the group to offer its customers access to an optimized network serving London and the leading business hubs in Europe. After KLM took full control of Martinair, Europe's sixth biggest cargo airline, the company extended its network and cargo offering.

In the first quarter of 2009, Air France-KLM also finalized its acquisition of a 25% equity stake in CAI, a new airline group in Italy operating under the well-known 'Alitalia' brand, which has been thoroughly restructured and resized. This stronger partnership provides the Group with access to the fourth biggest market in Europe.

Breakdown of turnover by business (Air France-KLM 2008-09)



Air France-KLM supports European integration and consolidation of airlines. The group itself is the prime example of pan-European cooperation.

Air France and KLM fleet in operation as of 31 March, 2009

	Air France			KLM		
	Average age (years)	Aircraft type	Number of aircraft (407 in all)	Average age (years)	Aircraft type	Number of aircraft (214 in all)
Short/Medium-haul	10.4	A318, A319, A320, A321	149	10.9	737-300/-400, /-700/-800/-900	52
Long-haul	8.1	A330-200, A340-300, 747-400, 777-200/-300	99	9.9	A330-200, 777-200/-300, MD11, 747-400	59
Freighters	5.9	747-400, 777F	8	4.8	747-400	4
Regional Fleet AF: Brit Air, Regional, CityJet, VLM KLM: Cityhopper	10.9	Fokker, Embraer, Bombardier	144	14.9	F50, F70, F100, EMB190	54
Other fleets AF: transavia.com France KLM: transavia.com Netherlands, Martinair	4.1	737-800	7	10.8	737-700/-800, B767-300, 747-200, 747-400, MD11	45

No.3

BY PASSENGER TRAFFIC:
74.5 MILLION PASSENGERS IN 2008-09
(No.1: American Airlines, No.2: Delta Airlines)

A modern fleet, a powerful and balanced network, a strong alliance

Air France-KLM operates a vast global network structured around two hubs, at Roissy-Charles de Gaulle and Amsterdam-Schiphol. This positioning, together with the complementary nature of the two airlines' networks, constitutes a major strength.

Given its presence in all the major markets, the Group's network is balanced; with no one market representing more than a third of passenger revenues. The Air France-KLM

group's policy of meeting the expectations of all its customers in terms of networks, products and prices has enabled it to build a balanced customer base of whom half are traveling for leisure and half for business purposes.

Currently, the Group operates 621 aircraft in a fleet that is one of the youngest and most up-to-date in Europe, and continues to invest to this end. The fleet, which provides

an assurance of efficiency in energy and economic terms, is a vital resource for the sustained development of the Group.

Air France and KLM are members of SkyTeam, an alliance of 13 airlines representing 24.8% of the global market, operating over 16,700 flights daily to 905 destinations in 169 countries. By maximizing synergies, SkyTeam strengthens the Group's stability in the present economic climate.

Air France-KLM's response to the crisis

After years of profitability and sustained growth, the 2008-09 financial year saw a first-ever operating loss of €129 million. The Group managed to get through the first half of the year better than the rest of the sector, largely due to its fuel-hedging policy.

Responsiveness, adaptability and preserving balance between networks and hubs

All markets and networks are being adversely affected by the fall-off in demand. Traffic is declining across all customer segments, but Business travel is the most severely affected, having a severe impact on yield. Air France and KLM responded very early on by cutting capacity in winter 2008-09. In the summer 2009 season, the reduction will be of 4.5% compared to the previous summer.

Matching the capacity of Air France and KLM to the drop in demand is being achieved through a reduction in flight frequencies rather than by route closures, in a move designed to preserve performance and the balance between its network and two hubs.

The fall-off in cargo traffic was already gathering pace in summer 2008, and Air France Cargo, KLM Cargo and Martinair Cargo cut capacity substantially by reducing the number of freighters in operation at the end of March 2009 to seven at Air France and eleven at KLM and Martinair, switching to a more active focus on the cargo holds of passenger aircraft.

Everywhere flight schedules have been revised and optimized with the Group's subsidiaries and its SkyTeam partners. Fares policies and the commercial offering have been revised in order to safeguard and even increase Air France-KLM's market share.

Top priorities: conserving cash and safeguarding jobs

Very early on, Air France-KLM launched a major push to cut costs to bolster its financial strength: the investment plan has been revised and cut by 2.8 billion euros over the three years from 2008 to 2010. Economic targets have been stepped up through the Challenge 12 plan designed to achieve savings of 675 million euros a year.

Because the present economic climate presents a risk for jobs, Air France and KLM are applying a responsible and mutually supportive approach to explore every means of preserving existing jobs by intensifying mobility and flexibility initiatives among staff, and by imposing a freeze on new hiring (see pp. 38-40).

Corporate governance

Applying corporate governance principles to ensure improved governance

Air France-KLM strives to ensure observance of good corporate governance standards. The 15-member Board of Directors decides the strategic policies of the Group and oversees their implementation. The Board relies on the recommendations of its specialized committees to ensure the smooth operation of the Group in conjunction with the management. The Board operates according to accepted French corporate governance principles as set out in the AFEP-MEDEF Code of Corporate Governance updated in 2008, notably as regards the compensation of executive officers.

In application of these principles, the Air France-KLM corporate governance model saw the following changes in 2008-09:

• **Separation of Chairman and Chief Executive functions:** In September 2008, following a proposal by the Appointments

Committee, the Board of Directors voted to separate the functions of Chairman of the Board of Directors and Chief Executive Officer, effective 1 January 2009. The Board's international regulation was updated in March 2009, partly to specify the roles and responsibilities of the Chairman and the Chief Executive Officer. This regulation can be accessed on the Group website at <http://www.airfranceklm-finance.com/conseil-administration.html>.

• **Reduction in directors' terms of office:** The General Meeting of Shareholders held on 10 July 2008 voted to shorten the term of office of non-executive directors from six to four years, with no changes to the terms of directors serving at the time of the vote. Shareholders also voted to implement a process of staggering the directorship renewal process.

• **Independence of directors:** In view of the makeup of its capital structure (State and employees in particular) and the special rules governing the manner in which a proportion of its directors are appointed, Air France-KLM does not fully comply with the guidelines of the AFEP-MEDEF Code as regards the ratio of independent directors serving on the Board of Directors and on the Audit Committee. In March 2009, after examining the situation of each director, the Board of Directors considered that seven of its members were independent non-executive directors. However, the Board considered that all its members had competencies and professional experience useful to the Group, irrespective of whether they are deemed independent within the meaning of the AFEP-MEDEF Code or not.

Compliance with good governance standards

		Good governance standards	2008-09 performance		
Board of Directors and specialized committees	Composition of the Board of Directors		10 directors appointed by the General Meeting of Shareholders (of which seven non-executive directors) Two employee shareholder representatives, appointed by the General Meeting of Shareholders Three representatives of the French state, appointed by decree Separation of the functions of Chairman and Chief Executive Officer since 1 January 2009		
	Term of office		Four years, voted by the General Meeting of Shareholders on 10 July 2008		
	Number of meetings and average attendance rate at Board meetings		10 meetings; attendance rate: 84.7%		
	Training for Directors		At the time of their appointment or at any time during their term of office, each director may benefit from the training necessary to fulfill their mandate. Such training is organized by the Group		
	Board of Directors Committees		Audit Committee	Remuneration Committee	Appointments Committee
	Number of committee members		7 members including 3 independent	3 members (all independent)	3 members (all independent)
	Number of committee meetings		3	3	1
	Average attendance rate at committee meetings		67%	100%	100%
	Annual operational performance appraisal of Board of Directors and Committees		Yes (self-assessment in the shape of a questionnaire sent out to all directors. Responses are reported back anonymously at a meeting of the Board).		
	Existence of Board's internal regulation, a code of stock market compliance and a code of financial ethics		Yes		
Remuneration of executive officers and directors		Publication of compensation criteria and amount paid to senior executive officers in the Reference Document, the management report and on the Group website. Senior executive officers receive neither stock options nor bonus shares. Should they leave the company they do not receive any special indemnities. Publication of arrangements for paying director's attendance fees and their amount in the Reference Document and in the management report.			
General Meeting of Shareholders	One share equals one vote		Yes		
	General Meeting of 10 July 2008	Number of shareholders present, represented, granting power of attorney to the Chairman, or voting by mail	16,898 shareholders representing 140,486,264 shares		
		Attendance rate	46.8%		
		Results of voting	Resolutions approved by over 90% of votes		

For more information about corporate governance, codes of ethics, business ethics and whistle-blowing procedures, see the 2008-09 Reference Document and www.airfranceklm-finance.com.

Focus on... Preventing anti-competitive behaviors

In September 2007, Air France and KLM implemented their Anti-competition Law Compliance Manual. Available in three languages, this guide sets out details of competition law and the Air France and KLM commitment to comply with it. It addresses topics such as responsibility, reporting and the consequences of non-compliance, as well as specific competition policies as regards passenger and cargo transport.

Following distribution of this manual, the Group has rolled out several initiatives: an e-learning application was deployed in 2008 and over 5,000 staff were trained. A dedicated "Competition" hotline has been opened to answer specific queries on this topic, and an in-house awareness raising poster campaign was organized, while special training sessions are being organized on request for all regional and local management structures.

Compliance and business ethics

The Board of Directors has adopted a Code of Stock Market Compliance and a Code of Financial Ethics. The Code of Stock Market Compliance requires executive officers, senior company executives in sensitive positions and designated personnel in sensitive positions to refrain from dealing in company stock

during the month preceding the publication of the annual results and for a period of 21 days preceding the publication of quarterly and half-yearly results; the Code of Financial Ethics sets out the principles to which the leading company executives must conform with respect to financial disclosure.

Sustaining quality shareholder relations

Shareholder structure

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

At 31 March 2009, Air France-KLM was 65% owned by French interests (70% at 31 March 2008) and more than 75% by European institutions, unchanged from 31 March 2008.

Pursuing regular dialogue with our shareholders

To ensure that its shareholders and investors are well-informed, Air France-KLM uses a range of media and events tailored to different profiles: briefings and press conferences, meetings with investors and rating agencies in Europe and the United States, a quarterly newsletter for shareholders (*Correspondances*) sent out to all 7,000 members of the Shareholders' Club, and a dedicated website which features all financial information published by the Group. In partnership with the business press,

the Group also regularly takes part in briefings for individual shareholders all over France.

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

Committing to Corporate Social Responsibility values

In December 2008, the CCRAI was consulted about its expectations in terms of CSR communication and its

assessment of the 2007-08 CSR report. Similarly, in the Netherlands, KLM holds regular discussions with the Society of Sustainable Shareholders.

Several meetings have also been organized at the request of Socially Responsible Investment (SRI) investors, enabling the Group to discuss its CSR initiatives and commitments.

More recently, in January 2009, Air France-KLM won the accolade for Best Investor Relations in the CSR sphere, awarded by SFAF, Opinion Way, IR Intelligence and the Forum des Relations Investisseurs.

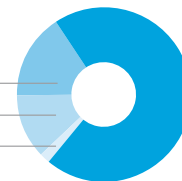
Breakdown of share capital at 31/03/2009

70.3% Others

15.7% French State

12.0% Employees

2.0% Treasury shares



Public affairs at European level: shouldering our responsibilities

Through its lobbying activities, Air France-KLM helps to provide lawmakers and politicians with the information they need to understand the issues facing the air transport sector today and to prepare legislation on topics of increasing complexity.

The team in charge of European affairs is based in Brussels and comprises three representatives from Air France and two from KLM, all of whom have signed up to the

European Lobbyist's charter. The group also promotes its positions in Paris, The Hague, and Washington DC, generally aligned with those of industry associations.

In 2008-09, the group's Brussels-based lobbyists concentrated in particular on environmental issues, reforms for European air traffic control, taking the specific characteristics of air transport into account in changes to EU social legislation and

proposing industry relief measures to EU legislators in order to better cope with the economic crisis.

These European initiatives are pursued against a more global backdrop, cooperating with AEA and IATA and with the Aviation Global Deal Initiative (*see page 21*) to positively promote a global system that includes aviation in initiatives to combat climate change.

Air France-KLM public positions

Issue	Air France-KLM position
Integration of civil aviation into the European Union Emissions Trading Scheme (ETS)	The Group supports the principle of ETS, as taxation is generally not a solution that generates environmental benefits. It will continue to try to ensure that the ETS applies to non-EU traffic, so that it will not distort competition or divert traffic to non-EU hubs (carbon leakage). The revenues generated by government as a result of auctioning of emissions rights should be allocated to combat climate change within the sector, e.g. by modernizing air traffic management stimulating innovation to reduce CO ₂ emissions. Air France-KLM is also contributing to a global solution as an active member of IATA, AEA and the Aviation Global Deal (AGD) initiative (<i>see also page 21</i>).
Single European Sky	The Group is delighted with the adoption in 2009 of laws paving the way for implementation of the Single European Sky. An efficient air traffic control system is essential for cutting costs and shortening delays, creating more direct routes, increasing flight safety and cutting fuel consumption and hence emissions. The group will carefully monitor the application of the texts leading to the creation of a full-blown Single European Sky.
Dutch ticket tax	In July 2008, the Dutch government introduced a ticket tax for passengers flying from the Netherlands. The effect of the tax was an immediate diversion of passengers from Schiphol airport to airports in neighboring countries. KLM opposed this tax as it runs counter to the European Single Market reality and does not produce environmental benefits. On the strength of the initial findings, the Dutch government acknowledged the validity of the Dutch aviation industry position and has decided to abolish the tax from 1 July 2009.
EU White Book on Transport policy	Air transport will remain an essential driver of economic and human development for industrialized and emerging countries alike. Air France-KLM satisfies the expectations of the European Commission by actively contributing to the White Book on the future of transport. Among the most important issues are those of adapting infrastructure to meet EU citizens' mobility needs, while at the same time proposing solutions to deal with transport-generated hindrances such as congestion and pollution. Air France-KLM stresses that it is necessary to create a level playing field for the different modes of transport, and to provide the conditions for healthy competition between operators using the same transport modes.
Air-Rail co-modality	The Group considers that air and rail are potentially complementary transport modes and supports the use of rail as a means of extending the catchment area around airports. Access to the railway market should be open to all new entrants to promote high-quality co-modality.
Consumer rights	The Commission has begun work on implementing existing texts. The Group continues to actively lobby on this topic by proposing advances in passenger rights, while remaining vigilant on equitable application of existing rules in different countries.



Our CSR approach

Our Corporate Social Responsibility organization

The ambition of Air France-KLM, inspired by the individual ambitions of each airline before the 2004 merger, is to set the standard in CSR in the airline industry. The environmental, social and societal commitments of the Group are applied at every level of the enterprise, from overall strategy to day-to-day operational practice. The aim of Air France-KLM is to involve every one of its people in fostering sustainable Group development.

Setting the standard in CSR

On the strength of commitments made several years ago by Air France and KLM in respect of environmental protection, social equity and local economic development, in 2006 the group enshrined its commitments in its Corporate Social Responsibility Statement. The March 2007 adoption of

the Air France-KLM Climate Action Plan is a direct operational outcome of this Statement, as was the Social and Ethical Charter signed with the European Works Council in early 2008.

From this common basis for CSR policy, Air France and KLM draw up and oversee

common action plans as well as individual action plans that reflect specific local regulatory and cultural conditions. Setting the example for CSR is a priority enshrined in the medium-term strategic vision, and each company has included it in its business plan.

Integrating our commitments at all levels

Air France-KLM intends to make CSR an integral part of its activity by circulating best practice throughout all its entities, at all levels. Air France, for its part, expresses its desire to set the example in CSR in its "Vision 2010" business plan as one of its four priorities. KLM has included CSR objectives

in the action plans of all its business lines and operations. All senior management levels have specific individual CSR targets included in their annual target setting.

Building this priority into all corporate projects has an extremely shaping effect since it forces each department and entity to align its

action plans on the project objectives. Each department is responsible for implementing the plans and achieving the targets set, with the support of the CSR departments.

Overseeing, coordinating and monitoring action plans

Air France and KLM have two distinct CSR departments. Both work closely together, notably to draw up joint action plans and common reporting systems, supply requested information to non-financial rating agencies in the name of the Group, and exchange best practices. Within each airline the departments propose and promote sustainable development policies, co-ordinate initiatives and support implementation in other departments.

Air France and KLM each have their own Quality-Safety-Environment management systems, both of which have ISO14001 certification covering all their activities.

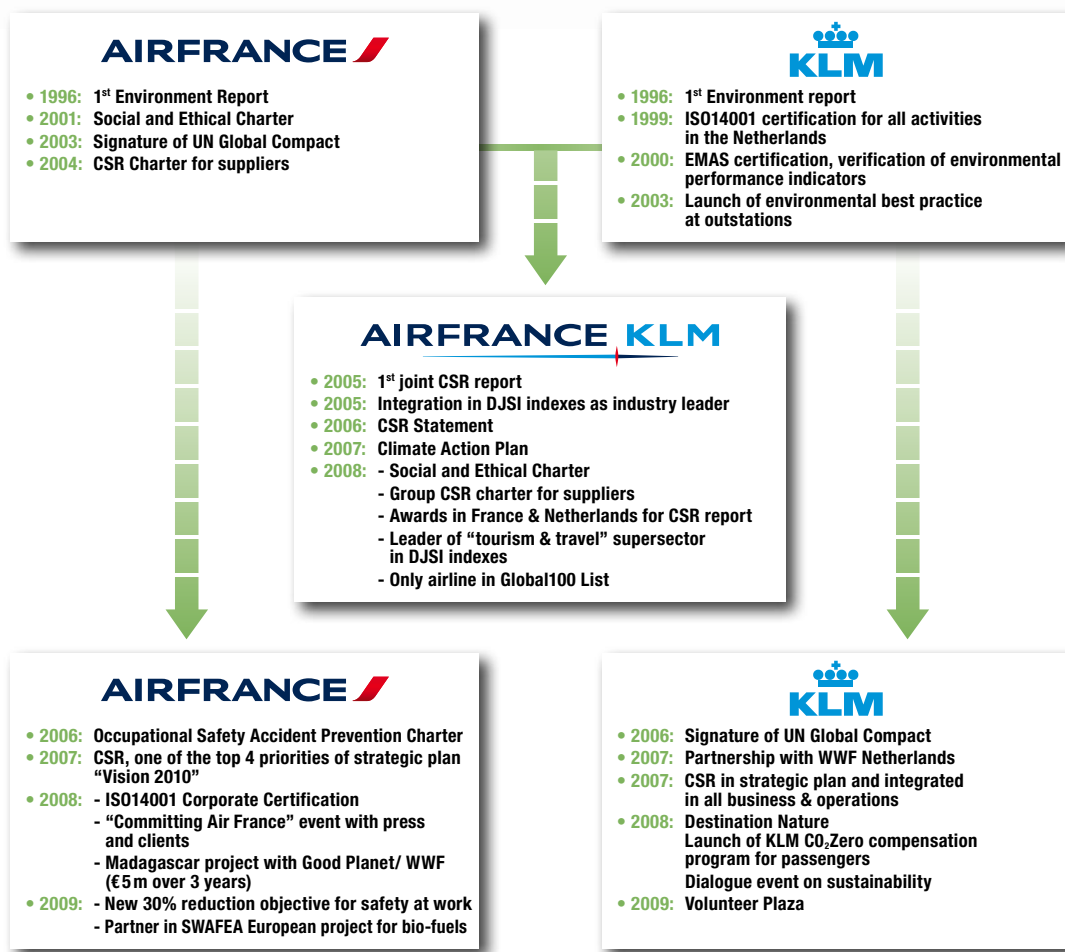
Both airlines have sustainable development committees, which review the different programs. KLM's CSR Council, chaired by the Managing Director, meets quarterly, as well as the QSE-Board and the CSR-specific HR Council. Twice a year, Air France's Executive Board with EVPs and SVPs hosts the QSE Management Review which approves QSE policy and objectives.

The QSE Committee is attended by the 11 QSE SVP every two months and relies on several other coordination committees. Moreover, a specific HR-CSR committee meets once a month and discusses topics such as diversity within the company or employment or training initiatives in the territories where the group operates.

The KLM CSR office interacts with all other departments (such as Environmental Strategy or Human Resources) and aligns with businesses and operations through CSR coordinators appointed in the business divisions.



The historic and current commitments of both companies



Fostering innovation by empowering all staff

Innovation is a central plank in both companies' strategies. Each airline operates a dedicated innovation department, and participatory programs seek to encourage innovation among all staff.

On 26 November 2008, non-profit body Innov'acteurs awarded Air France Industries its National Participatory Innovation Trophy for its PIQ Quality Innovation Program. This is designed to encourage creative innovation by staff in areas as different as quality, workplace health and safety, risk management and the environment. Since the

program was launched in 1995, over 73 000 PIQ suggestions have been implemented and in 2008-09, 6,600 PIQ suggestions were submitted (compared with a target of 5,900), for an application ratio of 75%. Other participatory innovation programs have been launched in departments, such as Cargo, commercial, and marketing, and all include sustainability issues.

To foster innovation in its own activities, KLM regularly draws up a list of strategic innovation topics. These topics are then shared with the staff and stakeholders

concerned. New teamwork methods, inter-company and inter-departmental projects encourage innovation in-house at every step: idea generation, feasibility studies, pilot project and execution. With respect to external activity, the empowerment of stakeholders such as customers or suppliers via Web 2.0 applications helps to develop new ideas. In seeking to build sustainable development objectives into its operations KLM carries out sustainable development pilot schemes in conjunction with the Innovation department.

Extending our CSR approach to our direct sphere of influence

Relations with subsidiaries

For the past two years we have reported social and environmental data from most of our subsidiaries, which use a common reporting tool, called OSYRIS.

The signature of the Ethical and Social Charter by all Air France-KLM group European subsidiaries is an important move for integrating subsidiaries into the Group's CSR policy. Its operational implementation is the responsibility of the top management

at each entity. In addition, the numerous initiatives by subsidiary companies all contribute to CSR policy in the wider sense of the Group. Air France's Régional and Brit Air subsidiaries, for example, have each carried out their own carbon audit, while Transavia carries its own CO₂ compensation program.

Interacting with our suppliers

One of the priorities of the combined Air France-KLM Procurement organization, officially started in September 2008, is the integration of sustainable procurement in the supply chain through the involvement of our suppliers and buyers.

• Raising buyer awareness

We are actively seeking to promote social responsibility and environmental performance throughout the procurement organization and among our suppliers. All procurement employees are expected to sign the ethical code of conduct. They are also informed about CSR guidelines for procurement processes through the special procurement intranet site.

• Engaging suppliers

In order to understand and manage our supply chain, information about our suppliers is vital. By using procurement systems we create awareness among suppliers about our CSR approach and expectations.

Potential new suppliers, engaged in the tender process, are required to complete an online questionnaire which is enriched with specific questions on social, environmental and supply chain aspects such as sourcing and manufacturing locations. This helps us to understand supplier practice and attitudes to CSR, allowing us to assess risk and deviations. The information we receive is used for screening and monitoring our suppliers and, where needed, remedial action will be taken. As Air France-KLM has committed to supporting and respecting the principles of the UN Global Compact, suppliers tendering for contracts are also asked to express their commitment by signing the Air France-KLM Sustainability Charter, already signed by over 70% of Group suppliers.

• Inspiring responsible and innovative practices

In addition to all this, the procurement organization encourages employees to work with suppliers to jointly develop products and services which are commercially viable, preserve environmental resources, and safeguard our workforce and communities by effectively downstreaming and upstreaming our supply chain. Several products and suppliers have already been selected for their socially or ecologically responsible qualities, such as those supplying staff uniforms and sustainable fish for inflight meals.

Focus on... SkyTeam's CSR commitment

In 2008 SkyTeam published its Corporate Social Responsibility Statement. The text was inspired by the Air France-KLM CSR Statement. Signed by all 13 SkyTeam Alliance airlines, the Statement is underpinned by three pillars: promoting social responsibility, contributing to equitable economic prosperity, and protecting the environment.

<http://www.skyteam.com>

Focus on... "Committing Air France" Press and Customer Seminar

Ensuring that Air France's commitment and dedication to fighting climate change is more widely known was central to the two-day seminar that took place at the Air France corporate headquarters on 9-10 June 2008, attended by more than 250 journalists from all over the world, 100 corporate customers, and other external stakeholders. The company's commitments and the initiatives it has taken to reduce CO₂ emissions were presented by senior managers, who also set out the Air France position on integrating air transport into an emissions trading scheme. They also spoke of the action undertaken by the Company's partners to help fight climate change.

See Press kit.

<http://corporate.airfrance.com>

Interacting with our stakeholders

Sustaining long term dialogue

Being attentive to stakeholder concerns is a key component of the group's CSR strategy. The Group has long paid close attention to customers, employees, local residents, experts, non-profit bodies, local authorities and representatives of civil society.

We use a wide range of tools to maintain dialogue with our different stakeholders, whether these are at the initiative of the airlines (such as the "Air France Commits" seminar or the "Dialogue Event" organized by KLM), or come at the behest of the competent authorities, such as the Grenelle Environmental Summit of 2007 in France or CROS in the Netherlands (see chapter *Reducing our environmental impact*).

The group also gives its stakeholders the opportunity to express themselves in its own publications on CSR policy. The quarterly *Le courrier, Air France partenaire de l'Île de France* newsletter regularly provides a forum for those involved in the Greater Paris region.

The present CSR Report also provides the opportunity to interview stakeholders on the Group's key issues. The stakeholders we interviewed last year expressed their views as part of a process designed to test the relevance of our key issues.

Applying the materiality test

In 2008, the Air France-KLM group updated the identification of its CSR issues working with many internal and external stakeholders.

• The aim is two-pronged:

- make sure that the approach takes in the Group's major environmental, social and economic impacts or those influencing the decisions and opinions of its stakeholders;
- broaden the scope of Air France-KLM's action by identifying new actionable topics and emerging signs, and initiate discussions or launch pilot projects.

For this debate, the Group used the materiality test described in the guidelines of the Global Reporting Initiative (GRI) and the long-standing cooperation with its internal and external stakeholders.

Initially, the Group expanded the list of topics covered by the program following consultations with a range of in-house sources to include the following:

- the strategies of the two airlines: "Vision 2010" at Air France and "Three year plan" at KLM;
- the perceptions and recommendations of staff gathered from staff polls at Air France, KLM and their subsidiaries or at the time of meetings organized with staff such as the CSR Café at KLM, or the CSR stands at Air France;
- risk management related to CSR issues.

• External stakeholders

- Contributions from customers gathered in the course of the dialogue process (surveys, Instant Feedback Kiosks, web 2.0 community). A survey was carried out among some 8,000 individual customers concerning their perception of Air France-KLM's CSR performance (see page 36).
- Comments and contributions from shareholders during the General Meeting of Shareholders or at sessions of the Shareholders' Club.
- Opinions, expectations and recommendations garnered from stakeholders during preparation and evaluation of the annual CSR reports.
- Discussions held in the framework of sector-specific work with IATA and AEA or in sustainable development working groups organized by specialized NGOs.
- Benchmarking of competitors and corporate best practice in other sectors.
- Analysis of the principal regulatory trends and stakeholder perceptions via rating agency questionnaires.

• Priorities

Following this initial period, the detailed list was prioritized by Air France and KLM using criterias such as:

- importance of the issue for Air France-KLM;
- importance of the issue for stakeholders;
- degree of control over the issue by Air France-KLM.

Focus on... the materiality test - external perspective from the 5 stakeholders interviewed last year

In the 2007-08 report, five external stakeholders were interviewed on their perceptions and expectations related to one of the five CSR key issues.

For the 2008-09 report, these five stakeholders contributed to our definition of material issues by participating in the debate on CSR issues for the Group.

The following issues were brought up:

- what topics should constitute priorities for the Group (from a list of more than 50 CSR topics)?
- what missing topics have not been addressed by now and need to be tackled?

- what relevant performance indicators could be reported?

As a general comment, they all consider that our list of CSR issues and sub-issues is relevant, and climate change is major for all. As an example, here are some specific issues brought up during this process.

Topic	Recommendation
Societal commitment to emerging countries	Air France-KLM could commit itself in those emerging countries where it has a strong presence by contributing to local economic development, helping to prevent disease, and financing projects to adjust to climate change
CSR criteria for inflight product specifications	Air France-KLM could present integrated CSR criteria when drawing up specifications for inflight products used aboard its aircraft
Fuel dumping	For greater transparency, Air France-KLM could disclose fuel dumping statistics airport by airport
Raising employee awareness of CSR issues	Air France-KLM could raise awareness among all its staff concerning the CSR initiatives pursued by the Group and about best practice in this area
Biofuels research	Air France-KLM could commit to biofuel research programs
Sustainable tourism	Air France-KLM could play a more active role in sustainable tourism, leading the way for the tourism industry

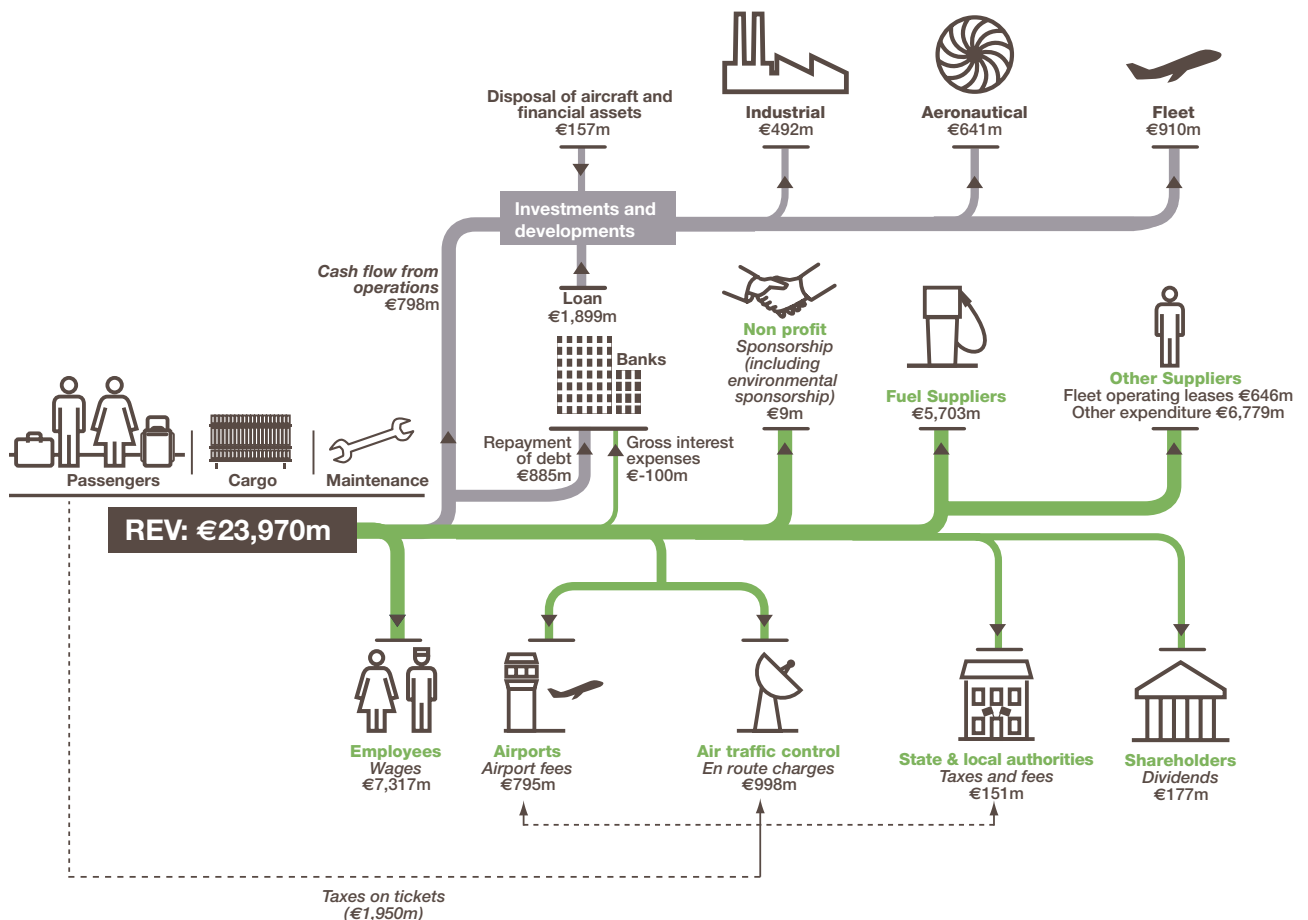
Our revenue distribution by stakeholder group

The Group's economic results benefit not only shareholders but also other stakeholders such as employees, suppliers, public authorities and local communities. The chart below gives some idea of how the Group's revenues are redistributed to stakeholders (in € million).

In addition to the price paid for ticket, customers pay a wide range of taxes collected by the airlines on behalf of states and oversight agencies or airports.

In 2008-09 these taxes amounted to almost 2 billion euros for the Air France-KLM group. They are used for the most part to finance government agencies such as air traffic control, the administration of civil aviation, spending on measures for security and airports development, and on aircraft rescue and fire fighting, the fight against bird flu and environmental controls. There are also other taxes such as the solidarity tax in France whose proceeds go to the Solidarity Fund for Development.

Revenue distribution by stakeholder group (in € million)



Air France-KLM an acknowledged leader in CSR

Extra-financial ratings rank AIR FRANCE-KLM as market leader

After four years as the leading airline in the two Dow Jones Sustainability indexes – DJSI World and DJSI STOXX – Air France-KLM was voted “Super Sector Leader” in 2008, i.e. leader in the expanded “Travel and Leisure” sector. The DJSI World index groups some 10% of the most efficient enterprises out of a total of 2,500 operating in 22 countries around the world. The DJSI STOXX list involves the top-rated 20% of companies in the DJ STOXX 600 index.

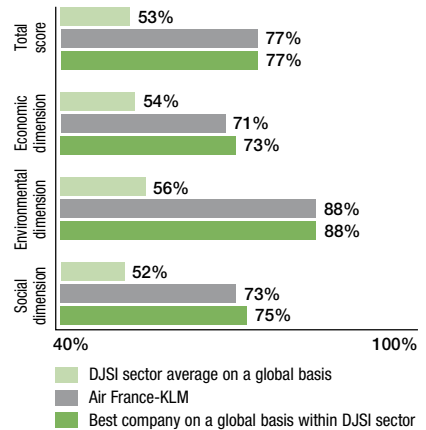
The Air France-KLM group also features in the extra-financial indexes: Aspi Eurozone, Ethibel Sustainability Index (ESI) EXCELLENCE Global

and FTSE4Good Index Series. Air France-KLM has been selected for inclusion in the Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers (*see www.ethibel.org*) since 30/07/2007 and has been monitored regarding its CSR profile since then.

For the third consecutive year, Air France-KLM is the only airline in the “Global 100” list of the world’s 100 companies most committed to sustainable development.

The Global 100 list, published by the Canadian-based global magazine for responsible business, and powered by

Scores from Sam evaluation, 2008

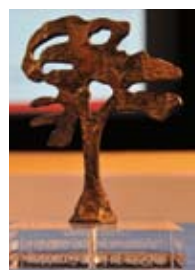


research from *Innovest Strategic Value Advisors*, lists the 100 “most sustainable” enterprises. These are selected from the Morgan Stanley Capital International MSCI World global financial index. This is based on indicators that determine companies’ performance as regards the way a company deals with the environmental, social and governance risks and opportunities.

In 2008 the Group was also awarded ‘Gold Class’ and ‘Sector Leader’ distinctions following an analysis by the SAM (Sustainable Asset Management Indexes GmbH) group of Switzerland.



Awards for Group CSR communication in France and the Netherlands



On 27 January 2009, the French Order of Chartered Accountants presented Air France-KLM with its award for Best Corporate Social Responsibility Report 2008. Each year, the accolade is awarded on the basis

of the quality of environmental and social information supplied by the company. According to the judges, the Air France-KLM report demonstrated a genuine Corporate Social Responsibility programme in which stakeholder expectations are comprehen-

sively taken into account as are a wealth of sustainability facts and figures.

On 29 January, KLM was awarded the prize for the most communicative annual report by the Royal Netherlands Institute of Chartered Accountants, the equivalent organization in the Netherlands. The prize aims to promote corporate social responsibility.

The Global Compact Office introduced the Notable COP program in 2004 to highlight and recognize outstanding Communications on Progress (COP). COPs featured are selected because of their adherence to COP policy and because they represent illustrative and inspirational examples of communicating progress.

Air France-KLM was one of the companies which were congratulated. The Notable COP of the Global Compact office in New York qualified the Group’s communication on its progress in 2008 as “remarkable”.



Addressing key issues

Our five sustainability key issues

The materiality test carried out in 2008-09 by Air France-KLM (see pages 15-16) confirmed the Group's identification of the sustainability key issues and helped complete the mapping process. The diagram on this double page illustrates the different issues. The initiatives implemented by the group to minimize its impacts, together with the results and performance achieved, are set out in detail in the following pages.



Combating climate change (pages 20 to 25)

Air France-KLM's contribution to climate change is due mainly to greenhouse gas emissions generated by its aircraft engines **1**. The group has accepted and anticipated its responsibilities in respect of this planetary issue and is strengthening its efforts to curb its impact on climate change, notably through

its "Climate Action Plan" and its modern fleet, which is continuously being renewed. It is mobilizing all its departments in its efforts to minimize its carbon footprint by pursuing flight optimization **2**, reducing the impact of ground operations **3**, and strongly supporting research. Air France and

KLM have publicly committed to cut CO₂ emissions. Biodiversity loss is a global issue. While the group recognizes that its direct impact on biodiversity may be limited, the indirect impact, through climate change, needs attention.

Minimizing our environmental impacts (pages 26 to 31)

The main direct environmental impact of our activities comes from the emissions and noise generated by our aircraft and, to a lesser degree, liquid, gaseous, and solid waste, generated by ground operations. At local level, the major impact stems from noise nuisance for local population **4**, which is fought with modern aircraft and the development of the Continuous Descent Approach, and NO_x

emissions **5** which affect air quality. Ground operations also consume energy and water resources while generating waste and emissions, with the attendant risks of polluting soil and water **6**. The main indirect impact includes airport land use, the environmental footprint of suppliers **7** and aircraft at their end-of-life cycle, so that aircraft dismantling is now a core concern for the group.

Building sustainable customer relationships (pages 32 to 37)

Flight safety **8** and security **9** constitute the absolute priorities for the group and are continuously improved. In the current context of crisis, the Group is challenged to make the difference and retain customer loyalty. Thanks to customer dialogue and engagement, the group seeks to further tailor its offer to the diversity of its customers, working on several factors on board **10** and on the ground **11**,

including a wide network, reliable punctuality and baggage delivery, latest technologies for e-service, service quality assessment, innovations that save time and make travel easier, and proactive complaints handling **12** when difficulties arise. Finally, the Group is mobilized to offer a responsible service and involve its customers in its CSR program.

Promoting a responsible human resources policy (pages 38 to 43) **13**

In the currently difficult economic context, the main labor relations concern for the Group is to sustain employment by further developing employability and staff mobility, primarily through training and proactive

social dialogue. Permanent important issues for the Group involve safeguarding health and safety in the workplace and promoting non-discrimination, diversity and equal opportunities.

Driving local development (pages 44 to 49)

Air transport has social implications at airport, regional and global level. Around airports and at regional level, the Group has a direct economic impact resulting from the jobs it generates **14** and the activity of its sub-contractors and suppliers. Both airlines stimulate economic activity **15** in the regions surrounding airports and, in particular, around their hubs, especially by recruiting and training staff locally, supporting local businesses,

and participating in a variety of partnerships and initiatives involving local youth. The territorial ties between the two airlines call for constructive dialogue with residents and local authorities. **16** At global level, the Group supports the activities of NGOs **17** and humanitarian programs financially or by giving them publicity and providing them with the benefits of its transport capacity and international presence.



Combating climate change

The air transport sector contributes about 2%¹ of global man-made CO₂ emissions. To minimize its impact on climate change, Air France-KLM is pursuing initiatives to cut CO₂ emissions in all its activities. Initiatives include fleet renewal, flight optimization, and reducing the impact of ground operations. In 2008-09 special efforts were made to reduce fuel consumption, driven both by environmental and economic concerns about rocketing fuel costs, followed by an economic crisis. In addition to these, Air France-KLM is looking to the future by strongly supporting research, notably into sustainable alternatives for fossil kerosene (i.e. biofuels).

Joint commitments

The Air France-KLM group has set up a Climate Action Plan to combat climate change.

- We support the Kyoto Protocol and the efforts to reach a new deal in Copenhagen. We take part in initiatives aimed at ensuring a fair contribution of the aviation sector to collective efforts, which is based on a global approach adapted to the development level of each country (Kyoto Protocol) and on the fair treatment of airlines (Chicago Convention).

We continue to renew our aircraft fleet and support aviation research on improving energy efficiency and reducing CO₂ emissions.

- We provide our customers with transparent and reliable information on their CO₂ emissions and opportunities to compensate them.
- We support NGO environmental protection programs.
- We promote research programs for renewable energy sources such as sustainable biofuels for aviation
- We motivate staff, throughout the Group, to back ambitious environmental action plans, including fuel savings measures (see page 23), but also aiming at reducing emissions generated by our ground operations.

Specific management objectives for each company

	Objectives	Schedule	Achievements 2008-09	Status
Air France	Reduce our absolute CO ₂ emissions in France by 20% on flights to French overseas territories and by 5% on domestic flights between 2005 and 2012	2012	French overseas: goal achieved by a major investment in fleet renewal (777 having replaced 747) Domestic flight: 3.6% CO ₂ emissions reduction compared to 2005 (for the period from July 2007 to June 2008)	●
	Improve the energy efficiency of our air operations by decreasing specific fuel consumption to 3.7 liters/100 passenger-km (including local subsidiaries)	2012	Consumption in 2008 (calendar year) = 3.9 liters/100 passenger-km, which is slightly better than 2007, despite the economic situation	●
	Reducing CO ₂ emissions by 300,000 tons per year from 2012 and 500,000 tons per year from 2020, thanks to the new fuel action plan	2009-2020	146,000 tonnes of CO ₂ savings from April 2008 to March 2009	●
	Promote the replacement of ramp vehicles and equipment with electrically-powered vehicles and equipment. Target: 60% of the fleet to run on electricity by 2020	2020	37% of Air France equipment is electrically powered on 31 March, 2009	●
KLM	Partnership with WWF-NL: CO ₂ neutral growth (2007-2012)	2012	Ongoing reduction program for onboard materials; lightweight containers for baggage and cargo (~40-50kg per aircraft), fleece blankets (~15kg per aircraft), Newspaper trolleys (~12kgs per aircraft), adjustment of non-food supply on ICA flights, CO ₂ ZERO offset program	●
	Improve fuel efficiency of our flight operations by 3% in 2012 and 17% in 2020	2012-2020	Implementation of the Weight & Fuel program to reduce fuel consumption by 1%; 0.5% in decreasing weight and 0.5% by improving fuel efficiency Introduction of the Fuel Awareness program	●
	All electricity for ground operations coming from sustainable sources by 2009	2009-2010	100% sustainable energy from hydro-electric power stations Yearly usage of circa 100,000 MWh	●
	Supporting innovative research programs	Permanent	Technical University Delft CleanEra project Technical University Twente: research into optimization of cargo loading system Aviation biofuels research	●

● Target exceeded ● On target ● Target partially achieved



The air transport sector's carbon footprint

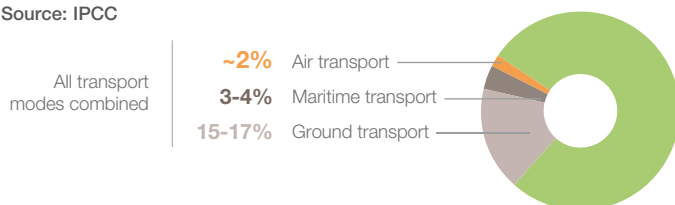
The air transport sector is responsible for about 2%¹ of global CO₂ emissions, or 1.6%² of total greenhouse gas emissions which could rise to 3%² by 2050.

~2%

SHARE OF AIR TRANSPORT
IN GLOBAL MAN-MADE CO₂ EMISSIONS

Share of air transport in global man-made CO₂ emissions (energy)

Source: IPCC



Political and regulatory context

For a global climate change deal in Copenhagen

Inclusion of aviation in the European Union Emissions Trading Scheme has just been adopted for implementation in 2012 but the unilateral decision is opposed by most non-EU countries. The mechanism, being a regional initiative, may thus create carbon leakage (traffic diversion). International aviation needs international support and global commitment to fight climate change efficiently.

In the run-up to the United Nations Summit to be held in Copenhagen in late 2009, and in order to support the role the International Civil Aviation Organization (ICAO) will play there, the Air France-KLM group has actively contributed to industry initiatives to design a global sectoral approach for aviation.

Air France-KLM contributed through propositions developed within the Association of European Airlines (AEA) and the International Air Transport Association (IATA). The Group also actively contributed to the launch of the Aviation Global Deal group (see *Focus opposite*).

The Air France commitment at the 'Grenelle de l'Environnement' (Environmental Summit)

Air France signed up to the Air Transport Sector Commitment Agreement as part of the Grenelle Environment Summit.

The company notably continues its fleet modernization, in order to reduce its absolute emissions by 5% on domestic flights and by 20% in French overseas territories and its specific fuel consumption to 3.7 liters/passenger/100km by 2012. The first annual report was released at the end of January 2009.

KLM's commitment to national agendas

Last year, KLM co-signed the Sector Agreement on Sustainability (2008-2020). KLM commits to follow up on projects on emissions reduction, weight reduction, modified flight procedures, aeronautical innovations (e.g. Functional Airspace Blocs), etc. Moreover we created the vision, together with other parties, of helping Schiphol become the first climate neutral airport.

The Dutch aviation industry and airports are operating in an increasingly dynamic international arena. In mid-2008, at the request of the Dutch government, KLM, together with the air transport sector, started to set the Aviation Knowledge Agenda. The focus is to define future challenges and to develop a modus operandi to speed up the implementation of the agenda.

Understanding... Aircraft emissions and the multiplier

Along with CO₂, aircraft generate other emissions, most notably water vapour and NO_x, whose complex high-altitude effects also contribute to climate change. The knowledge of these other effects and their quantification are still uncertain, according to the scientific community itself. Scientists do not consider the use of a multiplier of the effects of CO₂ as an appropriate solution when it comes to factoring in other types of emissions. It stresses the complexity of the question and emphasizes the need to continue ongoing climatology studies.

Focus on... Air France-KLM within the Aviation Global Deal (AGD) group

The AGD group is an industry coalition that brings together leading international airlines, aviation sector companies and an international NGO. The AGD was publicly launched in February 2009 by Air France-KLM, British Airways, Cathay Pacific, Virgin Atlantic, BAA and The Climate Group. Our goal is, in support of Industry bodies and ICAO, to contribute to a pragmatic, fair and effective policy solution that incorporates international aviation into a global climate change deal in Copenhagen in December 2009.

For more details, see the public positions of Air France-KLM on page 11.

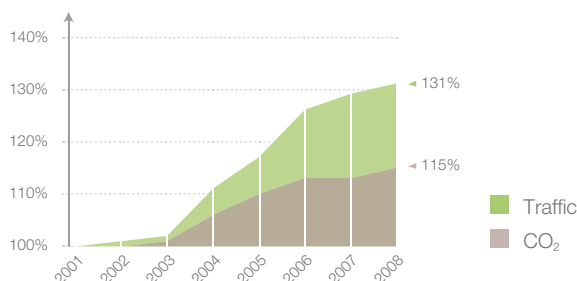
¹ IPCC Fourth Assessment Report / Technical Summary (<http://www.ipcc.ch/pdf/assessment-report/ar4/wg3/ar4-wg3-ts.pdf> p.49), 2007 and IPCC-AIE 2005

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

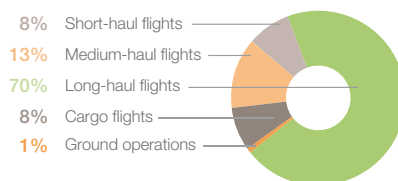
Air France-KLM group carbon footprint

At global level, Air France-KLM generates around 4% of the air transport sector's global CO₂ emissions.

CO₂ emissions and traffic growth



Breakdown of AF-KLM CO₂ 2008 emissions (including subsidiaries)



Comment

Long-haul flights (including cargo) account for about 20% of flights and almost 80% of CO₂ emissions. For these long-distance flights, there is no viable alternative to passenger air transport. For our most efficient flights, fuel consumption per passenger can be as low as 2.5 liters per 100km. Short-haul flights account for less than 8% of CO₂ emissions. They generate more emissions per passenger-km but contribute to overall airline efficiency by carrying passengers to our Paris-CDG and Amsterdam Airport Schiphol hubs.

Research and innovation

Biofuels

A sustainable alternative to fossil kerosene is one of the best enablers to drastically reduce CO₂ emissions. In light of the available propulsion technologies, aviation will remain dependant on liquid fuels for a long time. The search for a cleaner source of energy is hence a priority for Air France-KLM.

The Group seeks to ensure that the impact on the biosphere is minimal by encouraging the development of biofuels that do not compete with food and fresh water resources and require a minimum of surface area, water volume, and energy input. Growing and harvesting should also provide benefits for local communities.

In September 2008, in the framework of the Sustainable Aviation Fuel Users Group, Air France and KLM signed a biofuels charter with nine other airlines, Boeing and UOP, a biofuel refining specialist, committing themselves to advance the development, certification and use of sustainable aviation fuels produced in sustainable environmental, economic and social development conditions. Two initial research projects on Jatropha and algae have been launched.

Air France participation in CORAC

Since July 2008, Air France has been a member of CORAC, the French Strategic Advisory Board for Civil Aviation Research. CORAC has assigned objectives in line with those of ACARE, the Advisory Council of Aeronautical Research in Europe, proposing a road map for the next decade, and promoting transparency. The Future Aviation Fuels (FCA) group launched by the French civil aviation authority, DGAC, in 2007, has been subsumed into CORAC. It, too, was set up to structure research initiatives, create a road map, and outline a French strategic vision for aviation alternative fuels. It is due to report in mid-2009.

KLM participation in CleanEra

KLM supports the CleanEra (Cost-effective Low Emissions And Noise Efficient Revolutionary Aircraft) research program run by Delft University of Technology in the Netherlands. The aim is to have a 50% quieter and 50% cleaner aircraft by 2030. Research activities focus on aerodynamic performance, choice of materials, acoustics, the use of biofuels and improving passenger comfort, among others.

Focus on... Air France participation in European alternative fuel initiative (SWAFAE)

Alongside 19 other partners in a consortium headed by ONERA, the French aerospace research body, Air France is taking part in the SWAFAE (Sustainable Way for Alternative Fuel and Energy in Aviation) study launched by the European Commission. It kicked off in early 2009 and will deliver a report on the current state of knowledge about kerosene alternatives, and a road map for their medium-term deployment. Air France will be watchful as to the operational feasibility of the solutions considered under the project.

Focus on... KLM's commitment to fossil-fuel alternatives

Since late 2007, KLM has been studying different biofuels routes. It set criteria on sustainability, technology and the economics of the end-product. An alternative needs to be publicly accepted that will not lead to war for food or deforestation or fresh water availability. It has to be a proven flexible technology covering enough fuel for KLM needs, usable with existing infrastructure and fully mixable and price-competitive with conventional jet fuel.

For KLM, one of the most promising routes is algae-based biofuel. In 2008, KLM took part in a pilot project that delivered the first samples of pure algae kerosene. For 2009, the initiative will pursue further scaling and exploration of energy intensity and the economic business case.

3,8

liters / passenger / 100 km

95

grams CO₂ / passenger / km

AIR FRANCE-KLM FUEL EFFICIENCY

Air France-KLM Group Initiatives to reduce CO₂ emissions

Fleet modernization

The Air France-KLM Group fleet is one of the youngest and most modern in Europe, thanks to a renewal program that has been vigorously pursued in continuing dialogue and cooperation with manufacturers.

At Air France nine new planes have been delivered and nine old generation ones withdrawn. Within the next five years, the airline plans to invest 4.5 billion euros in renewing its fleet.

For KLM, this year, 14 new aircraft were added to the fleet and 10 old generation ones were withdrawn. Within the coming five years, KLM plans to invest 2 billion euros in renewing its fleet. The existing fleet was also improved: all next generation 737s were equipped with winglets and the first two 777-300s were introduced with operational e-Enabled applications.

Fuel efficient operations

Cutting fuel consumption and thus reducing CO₂ emissions is a key objective for the Group. The Air France "Fuel Action Plan" and the KLM "Weight & Fuel" plan are targeting the following four goals: optimizing airspace, improving aircraft performance by weight reduction, adjusting fuel loads, optimizing flight procedures.

The Air France Fuel Action Plan has already identified 85 ways of saving fuel which will

cut CO₂ emissions by over 350,000 metric tons a year from 2012, and over 500,000 tons from 2020.

KLM's Weight & Fuel plan, launched in fall 2008, sets a target of reducing emissions by 1% yearly; 0.5% through reducing Dry Operating Weight and the other 0.5% through optimizing efficient fuel use.

• Optimizing airspace

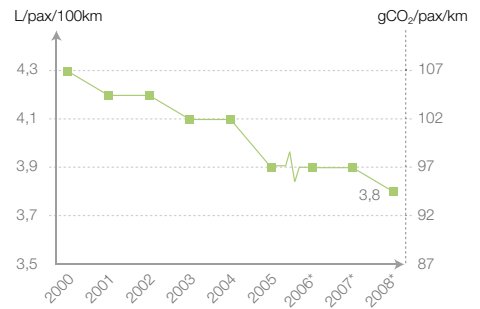
Air France and KLM are contributing to improving air traffic management. On the ground this is done by reducing taxiing and pre-take-off waiting times, and in-flight by optimizing routes and contributing to the reorganization of airspace so as to achieve a Single European Sky. SESAR (the technology component of the Single European Sky program) should allow Air France to save up to 158,000 tons of CO₂ by 2020.

• Reducing weight to improve performance

Air France and KLM are looking very carefully at the weight of aircraft fixtures and on-board equipment:

<http://corporate.airfrance.com/fr/strategie/engagements/environnement/air-france-traque-les-consommations-inutiles-de-carburant/index.html>

Air France-KLM fuel efficiency

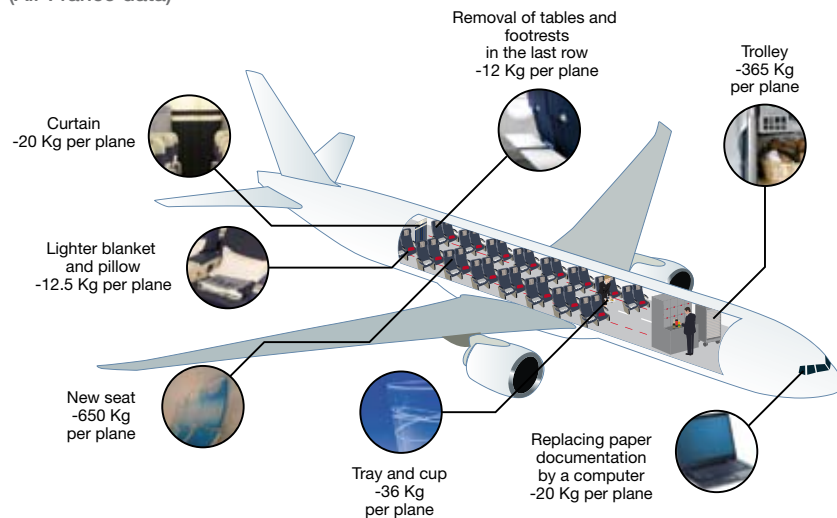


* Air France subsidiaries included

• Adjusting fuel loads

The amount of fuel carried must match the needs of the flight in order to avoid over-consumption by carrying fuel surplus. Payload information (number of passengers, weight of baggage and freight), the use of statistical information specific to each route, and accurate weather data all help the flight crew to accurately assess the amount of fuel needed.

REDUCING AIRCRAFT WEIGHT (Air France data)



Focus on... KLM operational Fuel Awareness program

KLM launched its next stage Operational Fuel Awareness program in September 2008 as part of the Weight & Fuel project, to raise awareness and train pilots in the judicious consumption of fuel. Over 150 Ideas have been collected and some have been included in the Weight & Fuel project. Pilots took part in two "Flying blue and green" days to raise awareness and improve coordination between flight dispatchers and pilots. A brochure on fuel saving "tips" is regularly updated and distributed. An Individual Fuel Report gives every flight captain an insight into his or her fuel use over the past three months.

Focus on... AIRE (Atlantic Initiative to Reduce Emissions): Air France to operate first transatlantic "green" flight

In late 2008, the European Commission selected Air France to demonstrate that flights between Europe and the United States can be operated in a more eco-friendly way. The idea is to optimize every phase of the flight, from the departure parking stand to the arrival stand, implementing all the measures in the Air France Fuel Action Plan. In all, this can save over three metric tons of fuel for savings of around ten tons of CO₂ on a transatlantic flight, if all the improvements are applied. This approach will also strengthen cooperation between airport authorities and air traffic controllers. The first "green" (CO₂ optimized) flight will take place in late 2009.



• Optimizing flight procedures

Pilots systematically apply procedures enabling them to reduce fuel consumption while simultaneously guaranteeing maximum safety levels. These include using the most appropriate flight level and speed, negotiating

the most direct routes with air traffic controllers, adopting continuous descent and visual procedures on approach, and taxiing with one or two engines shut down.

See also our initiatives to optimize building and ground facility energy efficiency page 28.

Initiatives to combat deforestation and protect global biodiversity

Deforestation accounts for 17% in global man-made Greenhouse Gas (GHG) emissions which is more than all kinds of transport emissions (13%) (IPCC report 2007). "One day's deforestation is equivalent to 8 million travellers between London and New-York" (The Independent). When a rainforest is being burned, not only is CO₂ emitted, but also precious biodiversity is lost. Air France and KLM are taking part in initiatives to preserve Forests and biodiversity.

Air France sponsors a pilot project against deforestation in Madagascar

As part of the partnership signed with GoodPlanet in June 2008, Air France has joined the fight against deforestation in Madagascar. The program, which represents an investment of five million euros for Air France as sole sponsor, is designed to protect 500,000 hectares of forest, potentially capturing 60-70 millions metric tons of CO₂. The local operator is WWF-Madagascar.

The link between deforestation and GHG emissions was at the heart of the discussions during the United Nations Climate Change Conference in Bali in December 2007 and

will be one of the key issues on the agenda of the Copenhagen conference in December 2009. The aim is to include REDD (Reduction of Deforestation and Degradation of forests) programs, in a post-Kyoto regime.

The knowledge generated through the Madagascar project's innovative mechanisms will be a most valuable input in the ongoing international discussions.

KLM takes part in biodiversity preservation programs

Destination Nature is a KLM program that contributes to the preservation of nature and biodiversity at its destinations. Besides financial support for specific projects such as the coastal reservation of the Kiunga Marine National Reserve in Kenya, we also promote the nature conservation objectives of the organizations we work with.

For example, KLM is part of the Dutch Biodiversity and Natural Resources task force comprising NGOs, private companies, knowledge institutes and government bodies. It will advise government on practical ways to raise awareness and take concrete action to preserve biodiversity and the sustainable use of natural resources.

Initiatives aimed at customers

Providing accurate information about flight emissions

Since 2007, Air France-KLM customers can use the calculator provided on the two airlines' websites to learn about the CO₂ emissions of their journey. The calculator uses real data specific to each airline, and based on the payload and the amount of fuel burned. It has been audited by KPMG, which gave the highest level of assurance. The method, published on the two airlines' websites, has also been endorsed by the French Environment and Energy Management Agency.

The information can also be used to draw up an annual calculation for key accounts who

would wish to know much CO₂ their employees generate during their business trips.

In 2008-09 the calculator integrated flights operated by the Group's regional subsidiaries (BritAir, CityJet, Regional, Airlinair and CCM Airlines).

Compensating for CO₂ emissions with a 'carbon neutral' flight

In October 2007 Air France began offering customers the possibility of offsetting their CO₂ emissions via a partnership with Good Planet. The projects involve the production of "green coal" from agricultural waste in Senegal, and the distribution of biogas reservoirs in China.

Since March 2008, thanks to KLM's CO₂ZERO service, passengers can invest in Gold Standard compensating projects, approved by WWF, such as the combined wind/biofuel power-generation facility on Bonaire. Twelve wind turbines will save around 30,000 tons of CO₂ per year and a new diesel power plant will start a gradual shift to biofuel in 2011. The goal is to provide the island with 100% renewable energy.

Air France-KLM Cargo will offer CO₂ reporting and compensation in 2009.

The transport sector makes a substantial contribution to global greenhouse gas (GHG) emissions. Compared with other transport modes, such as rail travel, aircraft generate more grams CO₂/km/passenger. Air transport does, however, provide a different type of service and is in particular irreplaceable as soon as long distances are involved. We must therefore continue to work on exploring its impact in order to reduce its contribution to climate change. Air France-KLM must continue working to reduce fuel consumption, optimize flights and support research programs.

It is necessary to step up the sector-specific and global dimension of research by renewing, for example, the assessment carried out by the IPCC several years ago. A full audit, bringing together the airlines and the scientific community, would make it possible to clarify GHG emissions calculation methods and to assess their relevance for inter-sector comparisons.

In this respect, a multiplier can be used to closely approximate the contribution of GHG other than air transport-generated carbon dioxide to the greenhouse effect, but such an appreciation is dependent on the objectives, for example reducing the short-term impact on climate, or aiming to stabilize emissions over the long term.

*IPCC: Intergovernmental Panel on Climate Change



Hervé Le Treut,

CNRS Research Director and Convening Lead Author of the latest IPCC* report

Stakeholders	Engagement topics	Engagements pathways	Achievements 2008-09
European, French and Dutch authorities	Inclusion of aviation into a global climate change deal Reduction of CO ₂ emissions	Lobbying initiatives directed at the European Commission and the European Parliament Participation in the workshops of the ICAO and the ECAC, Eurocontrol and the French civil aviation authority (Air France) KLM leading the Dutch Airline Industry Climate Change Working Group	Intervention at several conferences February 2009: First annual follow-up report for the Grenelle Commitment Agreement (Air France) Participation in drafting of the AEA proposal Contribution to the launch of the AGD (Aviation Global Deal) KLM endorsement of the Transportation Sector Agreement with Dutch Government and sector parties
Environmental NGOs	Impact of the aviation sector on climate change CO ₂ neutral growth Sustainable biofuels for aviation Biodiversity	Strategic partnership with NGOs based on transparency Regular meetings with WWF and Good Planet Sustainable Aviation Fuels User Group, along with NRDC and Yale School of Forestry	Financial support over 3 years to support Good Planet/WWF project against deforestation in Madagascar (Air France) KLM Partnership with WWF in the Netherlands September 2008: Air France and KLM signed the pledge to achieve commercialization of sustainable Biofuels for aviation. KLM presented SAFUG policy at Algae Biomass Summit in Seattle KLM membership in the Taskforce Biodiversity
Customers	Impact of the aviation sector on climate change Air France-KLM initiatives to reduce CO ₂ emissions Offering customers the possibility to offset their footprint	Surveys of "Frequent Flyer" passengers about their knowledge of the impact of the sector on climate change and their expectations Regular meetings between Air France's managers and corporate accounts	Publication of survey results and regular information on the Group's action related to Climate Change (on-board magazines and websites) June 08: "Air France s'engage" seminar involving press and customers KLM roll-out of CO ₂ ZERO for corporate accounts, next to own staff and individual passengers KLM compensation program with Gold Standard project Bonaire
Scientific community and industry	Single European Sky Impact of the aviation sector on climate change and United Nations Climate Summit in Copenhagen in 2009 New aircrafts and fuels Ambition for Amsterdam Airport Schiphol to become the first climate neutral airport	KLM President as Chairman of AEA Aviation Global Deal & AEA proposal Partnership in SWAFEA study on alternative biofuels Air France in CORAC (with French Ministry of Environment), FCA (with the French civil aviation authority) and SAFUG (with Boeing) KLM follow up on Transportation Sector Agreement at Amsterdam Airport Schiphol	January 2009: Participation in the Aviation Global Deal Group preparing for a pragmatic, fair and effective global policy solution for the aviation sector Partnership in the European commission study SWAFEA on alternative biofuels At Amsterdam Airport Schiphol, joint approach for controlling local emissions and implementing action plans

Minimizing our environmental impacts

Air France-KLM's main environmental impacts, next to its CO₂ emissions, are noise, local emissions, energy and water consumption, and waste production. The Air France-KLM group has measured and observed trends in these impacts for many years and implements new initiatives and innovative processes every year in order to keep setting the standard.

In 2008-09, for example, Air France-KLM further developed an approach based on eco-design, and launched a new aircraft dismantling activity at Air France Industries to manage the end of life cycle for aircraft. It also continued its efforts to innovate in order to restrict water consumption and emissions generated by aircraft painting and washing, proposed minimal-emissions means of transport to its staff, and started implementing the Continuous Descent Approach procedure to minimize aircraft noise.

Joint commitments

Through its Corporate Social Responsibility Statement signed in July 2006, Air France-KLM has committed to ensuring conformity to environmental regulation on all sites (including subsidiaries), investing in levels of environmental protection that go beyond strict regulatory compliance and to:

- Renewing our fleet by introducing the best available technologies, and implementing the most efficient procedures to mitigate noise and limit emissions from our flight operations;
- Developing eco-design by improving the environmental performance of products linked to its services and through in-depth analysis of sites and processes;
- Involving employees in implementing environmentally-friendly actions, encouraging initiatives and supporting innovations designed to improve processes;
- Asking service providers and suppliers to implement actions to improve environmental performance.

Specific management objectives for each company

	Objectives	Schedule	Achievements 2008-09	Status
Air France	Obtain ISO 14001 certification for all activities in France	2008	Air France achieved certification last July	●
	Expanding activity at a lower noise level than in 2005	2005-2012	-16% of total noise energy compared to 2005 Adoption of the Continuous Descent Approach (CDA) at Orly <i>(see focus page 30)</i>	●
	Setting up a new tool for regulatory conformity surveillance	2008-2010	Drafting of requirements	●
	Setting up a new tool to report global aircraft GHG emissions based on real operational data	2008-2010	Tool development launched in mid-2008	●
KLM	Reduce the amount of on-board waste	2009	No newspaper trolleys on 737 (weight saving ~ 12kg per aircraft and waste)	●
	2% yearly improvement in energy efficiency until 2020 (Multiple Year Agreement on Energy) for ground facilities	2020	9.6% improvement between 2006 and 2008 (3.2% yearly) Sustainable energy installation at Amstelveen Headquarters using 90% less gas and 30% less electricity	●
	Decrease noise hindrance around Schiphol	2007-2010	Night higher altitude approach executed with CROS agreement on operational implementation Flying a departure route with turns which reduce noise dispersion Operational flights designed to reduce noise, were concluded successfully in 2008	●
	Reduce local emissions by electrifying ground service equipment if financially viable	ongoing	Pilot project for mobile electricity-powered offices	●

● Target exceeded ● On target ● Target partially achieved



Environmental management

Air France and KLM operate an ISO 14001-2004 Environmental Management System (EMS).

This system, based on optimal control of all relevant environmental aspects, on proactive monitoring of requirements, on continuous improvement of environmental impacts, structures action as a way of achieving the targets set. It acknowledges the Group's commitment to proactive environmental protection and the way it manages industry-related environmental risks.

The scope of the certification takes in the Group's three businesses, satisfying its Passenger, Cargo and Maintenance Customers, for all its France and Netherlands activities.

Air France achieved certification in July 2008 and continues its efforts to minimize its environmental impacts, notably through the efficient operation of its EMS which benefits from a coherent Corporate Action Plan, and which is implemented by all entities.



The Ground Operations Division and Air France Industries have implemented Integrated Management Systems (IMS), based on different standards for Quality, Safety and the ISO 14001 environmental standard. The resulting coherence makes environmental management even more efficient.

Since 1999, KLM has been ISO 14001 certified for all its Netherlands-based activities and keeps up the high environmental standards of the last decade and is striving to reduce its environmental impact even further.

Optimizing the aircraft life cycle

The Air France-KLM group is making efforts to reduce the environmental impact of its aircraft from design stage to end-of-life. Moreover, by optimizing the life-cycle, we think there is a lot to gain.

Air France is developing a new standalone activity, namely end-of-life-cycle dismantling of aircraft. This process takes place in three stages:

First, depollution involves emptying and drying fuel tanks and pipes.

Second, removal of reusable components and sensitive elements (e.g. containing gas).

Third, airframe deconstruction allows recycling of metal parts, an activity contracted out to Air France's suppliers, who are asked

to operate in ways that protect people and comply with environmental rules.

This activity was launched in 2009 and 11 Air France A320-100 aircraft should be dismantled before June 2011.

According to the Cradle to Cradle™ design principle now applied by KLM, selected alloys used in aircraft components such as engines are recovered, melted down and re-used by the maker to manufacture new components. The value of the recycled materials is deducted from the price of the new equipment manufactured, resulting in substantial cost savings. The first shipment contained around 120,000 parts of scrap material and more is to come.

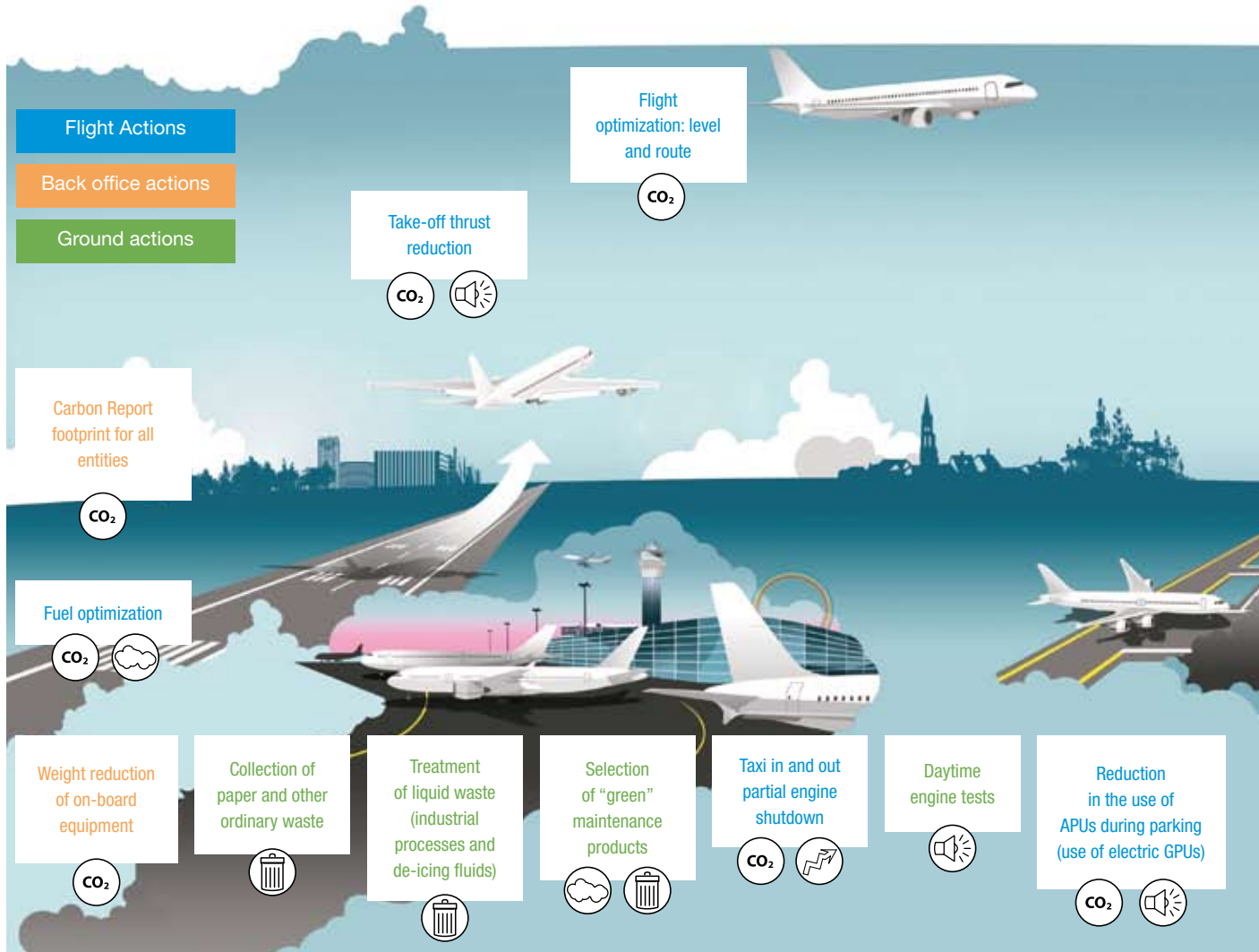
Focus on... Air France eco-design training

The Air France CSR and Training departments are developing an Eco-design training course in connection with ISO 14001 certification.

Eco-design means improving the ecological quality of a product or service, i.e. minimizing its negative impact throughout its life cycle while preserving its usage qualities. Combined with innovation, eco-design helps to create value, and achieve economic gains. The training course is aimed at people working in R&D, Procurement, Environment and Corporate Social Responsibility. A first pilot course was given at Air France in February 2009.

Air France-KLM action to minimize environmental impacts

On these two pages the various environmental impacts of Air France and KLM are shown and the Group's actions to reduce these impacts and the results obtained are described.



CO₂ CO₂ emissions (see pages 20-25)

Noise (see page 30)



Energy consumption by ground operations

• Energy efficiency in buildings

- Application of sustainable construction standards to new KLM and Air France buildings (French HQE® High Environmental Quality standard for Air France).
- Participation of Air France in the development of a "HQE Logistique" label: erection at Orly of the first building in compliance with this label.
- Building of a sustainable Intercontinental Crown Lounge by KLM: awning and insulated roof glass capable of reflecting a lot of heat, low-energy lightning combined with blinds that regulate daylight, ventilation with outside air including a heat recovery system.

• Green energy

- Since January 2009, 100% of the electricity used by KLM buildings in the Netherlands is generated from renewable energy: 100,000 MWh per year in all, the equivalent consumption of 25,000 households.

• Energy consumption

- Significant electricity consumption reduction, thanks to action such as deployment of solar panels on the Eole building (Paris region) by Air France Industries.

• Ground equipment

- Replacement by Air France of its fleet of ground equipment: 37% already electrically powered, up to 60% by 2020.
- Air France's ordering of electrically powered baggage conveyors and loading equipment is a world first.
- Participation of Air France in the "electric vehicles" call for tender launched by the government which could amount to 100,000 units.

• Staff transport

See the section on raising staff awareness of the need to limit energy consumption on page 30.



Local emissions

A technological trade-off must be found, because when fuel combustion takes place at higher temperatures and pressures, although this reduces noise levels, it also increases local emissions. Local emissions of NO_x, CO, HC, SO₂ and particles are generated by burning jetfuel and by paint and solvents, which contain volatile organic compounds or VOCs.

• Monitoring

Air France's integrated emissions calculations (CO₂, CO, CxHy and NO_x) into its OSYRIS environmental reporting application in 2008.

• Aircraft painting

- Minimal VOCs at KLM achieved by replacing organic solvents by water-based systems.
- Reduction of Air France Industries VOC emissions by 29% in 2008-09 thanks to water-based paints.

Focus on... Airpod vehicles

As of summer 2009 Air France and KLM will be testing a number of experimental Airpod compressed air vehicles. These have been developed by MDI and carry people and equipment for a particularly low operating cost and are completely free of direct greenhouse gas emissions during use. Evaluation will focus principally on safety, ergonomics, deployment, reliability and vehicle maintenance aspects.



Water consumption

Most of the water consumed by Air France and KLM (roughly 70%) is used in their maintenance and catering activities.

• Water meters

Meters installed at Orly and Paris-CDG in early 2008 resulted in a 5% reduction in water consumption compared to 2007.



Water and ground pollution

Having invested in cleaner equipment, the Group is contributing to reducing local pollutions.

the glycol/water mixture to minimize the impact on surface water.

• De-icing

- New truck for de-icing aircraft at KLM: one single truck per aircraft using 25% less liquid.
- KLM's use of de- and anti-icing positions at Amsterdam Airport Schiphol structurally designed to collect run-off, which is then treated locally.
- Purchase of five new de-icing systems by Air France in 2008, enabling it to fine-tune

• Cleaning

- KLM's new toilet deodorant liquid used as a precharge in the waste tanks of aircraft toilets with a degradable dye: the colour will be more easily removed during water treatment, minimizing the risk of surface water pollution.
- Replacement by Air France of the solvent used for washing components by Lessiviel, which reduces water discharge.



Waste

Air France and KLM have both implemented measures to reduce and better process waste generated by their activities. KLM implemented a specific Waste Action Plan in 2007.

• Reduction at source

- Launch of KLM's BIO2-Cycle program in mid-2008 focusing on reducing board waste and weight, and sustainable products on board. In Spring 2009, implementation of lighter and disposable tableware onboard.
- 'Route du Papier', release on the corporate website of a video presenting the whole selective collecting process of

paper at Air France to all employees. 381 tons of paper saved in this way at head office in 2008.

- KLM's implementation of electronic flight logs through its E-enabled program.
- KLM's removal of the newspaper trolleys on board its 737 flights in Europe.
- Reduction of battery waste by Air France thanks to a battery free illuminated beacon using an electro-magnetic current to guide aircraft.

• Sorting and recovery

- Improvement in Air France's selective sorting thanks to actions such as the implementation of a combined

'Health-Safety-Environment' internal audit in 2008-09.

- Recovery of all of the 4,700 metric tons of waste generated annually by Air France and processed by Servair 1 (10% recycled, 90% as energy) and all its cleaning waste processed by Acna (50% recycled, 50% as energy).
- Creation of energy from catering waste on site by KLM: feasibility study by KLM Catering Services with two other companies, GGI and EECT. The aim is to reduce energy costs, waste treatment and its associated CO₂ emissions for its transport, and generate energy.

Focus on... The halving of perceived noise using the Continuous Descent Approach (CDA)

In conjunction with DGAC, the French civil aviation authority, Air France is helping to develop the Continuous Descent Approach, which reduces noise levels for distant residents and minimizes flight greenhouse gas emissions. CDA consists in using a virtually constant descent slope until landing, which substantially reduces the length of level flight segments – the noisiest and most fuel-hungry phases.

This CDA approach has been implemented at Orly since summer 2008, in accordance with Air France's "Grenelle" commitments. The DGAC calculates that the average attenuation is around 5dB at 20-50km from the runway threshold, for an approximate 50% reduction in perceived noise.

Focus on... the Local Agreement on Amsterdam Airport Schiphol interaction with local communities

In 2008 an agreement was reached between the Ministries of Defense, Transport and Environment, local and provincial governments, the Netherlands Air Traffic Control, Schiphol Airport Group and KLM, on how Schiphol Airport will be developed and deployed in the future and how its environmental footprint will be controlled. The agreement was created by 'Alders Table', named after its chairman, and covers the period until 2020; it includes the following issues:

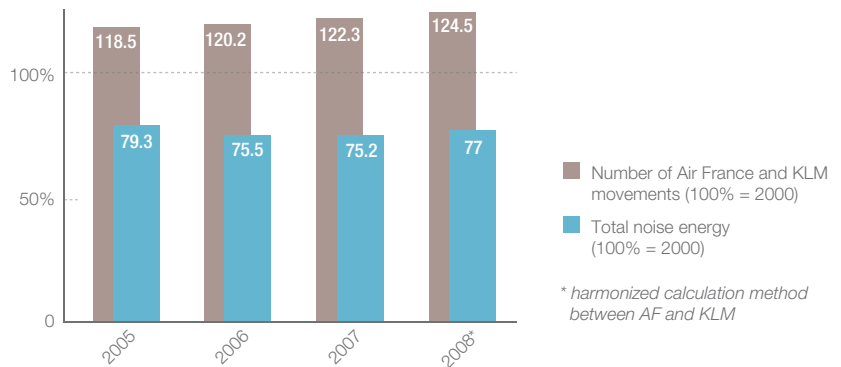
- Nuisance reduction: controlling the number of aircraft movements, the related community noise burden and the modernization of airport noise management and noise enforcement system.

- Living quality: projects to compensate/mitigate the effects of the community noise burden

- Selective development and growth: optimizing the capacity of Amsterdam Airport Schiphol and expanding, where necessary, at regional airports.

As from 2009 the 'Alders-table' will meet twice a year to monitor agreement implementation.

Air France-KLM noise levels and number of aircraft movements



Combating noise around airports

Air France and KLM endorse the ICAO's "Balanced Approach" to controlling noise hindrance around airports: reducing noise at source, regulating land-use around airports, adapting operational procedures, and implementing operating restrictions.

Controlling aircraft nuisance

Fleet renewal, and in particular the withdrawal of the noisiest aircraft, enables both airlines to satisfy the ICAO's most stringent acoustic criteria applicable to new aircraft.

At the Grenelle environmental summit in 2007, Air France undertook not to exceed the 2005 level of its noise emissions on the ten leading airports in France. Certified noise energy generated by the Air France group's aviation activities between July 2007 and June 2008 was 17% lower than in 2005 on these platforms.

KLM increased its number of movements at Amsterdam Airport Schiphol in 2008 relative to 2007 by 4.1% but still managed to keep

its noise energy level 6.7% lower than the year 2000 reference.

The deployment of the Continuous Descent Approach (CDA) by Air France and KLM is efficiently contributing to reducing landing noise (see below). KLM played a major role in the introduction of PRNAV (Precision Area Navigation) CDAs at Amsterdam Airport Schiphol. KLM also initiated in 2007 the introduction of "Fixed Radius Turns", a method to reduce the dispersion of noise over populated areas.

Dialogue with residents

Air France and KLM take part in airport nuisance-related discussion groups with local authorities, residents' associations, airport managers and other operators at Paris-CDG and Amsterdam Airport Schiphol. Air France, for example, attended CCE Environmental Advisory Committee meetings and CCAR Residents Advisory Committee meetings at French airports in 2008.

Group staff mobility

KLM has committed to a 10% reduction in employee home-work car mileage by 2012. To achieve this, it has implemented a mobility



and accessibility action plan. Since 2008, the airline has been offering staff bicycles painted in the company livery, as part of the CYCLING BLUE program, at reduced prices in order to encourage them to bike to work or between KLM offices.

The Air France Company BOUSSOLE Travel Plan dubbed BOUGEONS SOLIDAIRES (BOUgeons SOLidairEs), launched in 2007, led to the late-2008 launch of a car-pooling website (covoiturage-aéroports.fr), together with "green" driving courses, (140 trainees in 2008-09 and 70 tons of CO₂ saved), and the provision of public transport information on the web. Work is also in hand to further develop teleworking, especially for commercial department work.

An installation to wash aircraft engines that delivers enhanced aircraft performance inflight and generates fewer damaging emissions, environmentally-friendly aircraft paint that does its job using 15% less and so reduces aircraft weight for more economic performance, and an airport car powered by compressed air are just three examples of sustainable innovations that I came across recently when I went on working visits to Air France-KLM. Air France-KLM has established a strong reputation as a company that combines economic performance with high ambitions in the environmental field. In 2008 the Franco-Dutch combination became the best airline in the DJSI for the fourth time. This tells us a lot about Air France-KLM's dedication to proving that they are an innovative, socially responsible company. "Noblesse oblige" seems to be the motto. In an increasingly international free market that sees competition getting stiffer by the year, companies need to excel in quality, efficiency, safety and clean, economic company performance. Air France-KLM has established an excellent position from which to become even more sustainable once the current global economic crisis has passed. I wish this great company the brightest of futures.



Camiel Eurlings,

Dutch Minister of Transport,
Public Works
and Water Management

Stakeholders	Engagement topics	Engagement pathways	Achievements 2008-09
Local communities and residents associations	Noise Air Quality	Air France's participation in CCE, CCAR KLM dialogue and active participation in CROS (Schiphol Review board)	Air France participation in CCE and CCAR at the 10 main French airports KLM participation in Alders Table KLM experiments with routes and night regulation
National authorities and verifiers	Environmental Management	Regular meetings with civil aviation administration, airport and air traffic control authorities at each hub Air France's dialogue with French authorities (DRIRE, Industrial Development division) for VOC reduction targets KLM meetings at Amsterdam Airport Schiphol together with BARIN Audits	Air France: ISO 14001 Certification, and limited assurance on environmental data Discussions for VOC reduction targets Noise insulation projects
Suppliers	REACH Engage supply chain	Introduction of environmental criteria and inclusion of Sustainability Charter in Procurement process for Air France and KLM	Checking the pre-registration of all chemical products used KLM, Sustainable fish, biodegradable cups and Rainforest coffee on board KLM close cooperation with GE on "Scrap" E&M
Clients	Onboard waste	Taking client's remarks into account	Air France's feasibility studies on product sorting and recycling
Employees	Reduction of environmental impact Awareness	Participative innovation programme and information forums at Air France Inspiration sessions, KLM Drive-In & excursions: Cradle to Cradle excursion	6,600 PIQ (Program of Innovation Quality), 430 QIS (Quality Initiative Suggestion)
Universities or research experts	50% cleaner and quieter and 80% less NO _x aircraft technologies (ACARE)	Technical University Delft; CleanEra project	AirPod experimentation (compressed air-powered vehicles) at Paris-CDG and Amsterdam Airport Schiphol (<i>see focus page 29</i>)
Air transport industry	Environmental priorities Increasing the predictability for air traffic controllers, enabling smoother traffic streams	Negotiations with manufacturers on noise, NO _x and CO ₂ performances for future aircraft. Participation in the Board of Knowledge Development Center and Schiphol Innovative Mainport. IATA Environmental information Booth opened at Schiphol Airport for first time in Europe	Inform passengers about the steps aviation is taking to mitigate environmental impacts SARA (Speed and Route Advisor) set up (partners include Air Traffic Control NL, Boeing, KLM and transavia.com) and trials for Spring 09 prepared

Building sustainable customer relationships

In 2008-09 Air France-KLM carried 75 million passengers on its own routes and those of its subsidiaries. In a difficult business climate, and severely affected by the crisis, the Group has to strive for exemplary customer relations and deliver the expected levels of comfort and service to retain customer loyalty. It must anticipate customer demand and respond to change by adapting its products, while simultaneously demonstrating a socially-responsible attitude in its business activities. Over the same period, the Group continued to innovate for the benefit of its customers by enlarging its offer of new services and creating social networking applications like Bluenity, the first web 2.0 application for travelers. It also publicly renewed its commitment to quality in customer relations via its 7 Service Standards, backed up with special training for all customer-facing staff.

Joint commitments

Our responsibilities towards our customers are mainly to:

- guarantee flight safety, an absolute priority for Air France-KLM and the prime expectation of all our customers. The flight safety policy of both airlines is above all rooted in the professionalism, dedication and attention of all staff, on the ground and in flight;
- meet all customer expectations and needs by offering suitable, reliable products of unswerving quality by constantly listening to our customers and measuring their satisfaction levels;
- always better assist our customers and facilitate their trip, answering the demand for more self-sufficiency, simplicity and reliability;
- deliver responsible products and services in accordance with our CSR commitments;
- offer innovative and sustainable solutions in mobility, and at the same time reducing our ecological impact and enhancing our social & economic impact.

Specific management objectives

Objectives	Schedule	Achievements 2008-09	Status
Improve customer relationship	2010	60% of frontline staff and cabin crew trained in passenger service quality with the "customer first" program	●
Measure customer satisfaction	ongoing	Analysis of 650,000 on board questionnaires, monthly dashboard of passenger satisfaction indicators Customer satisfaction measurement terminals at Paris-CDG. Cross functional feedback analysis of commercial incidents: 1,800 daily flights and 3,484 incidents analysed in 2008	●
Continuously improving customer satisfaction	ongoing	Samples of new services offered: "La première" at Paris-CDG, new "Crown" lounge at Amsterdam Schiphol Airport, new Premium voyageur Innovation: introduction of new e-services including SMS/email flight notifications, smartboarding, launch of Bluenity, first airline passengers social networking site	●
Improve service quality	ongoing	Deployment of 7 standards: the Group's quality measurement plan signed by Air France-KLM directors Several hundred of external audits conducted at each step of the customer's journey	●
	ongoing	For 2008 Air France and KLM punctuality is above the average of AEA comparable airlines: Air France ranks no.1 for departure and KLM ranks no.1 for arrivals punctuality	●
	ongoing	Proactive handling for passengers meeting major irregularities and easier complaint registration: 8,500 flights triggered proactive treatment 211,000 passengers benefited from recovery service (466,781,000 miles distributed as compensation)	●
Engage our passengers in AF-KLM CSR policy	ongoing	CSR survey on more than 8,000 customers (see page 36) Raised customer awareness of CSR through in-flight magazines and documentaries ECPAT awareness campaign against child prostitution	●
Integrate CSR in our product offer	ongoing	Integration of regional subsidiaries in the CO ₂ calculators (audited by KPMG in May 2008) CO ₂ reporting for corporate customers	●
	ongoing	Reduction of environmental impact: 15% weight reduction in on board equipment to be achieved by 2012 will generate savings of 40,000 tonnes of CO ₂ emissions On KLM flights: low-weight biodegradable coffee cups, sustainable MSC certified fish, on-board waste action plan, etc.	●
	ongoing	Saphir & KLM Cares for passengers with reduced mobility are available in 19 countries 420,000 unaccompanied minors traveled on Air France-KLM flights in 2008-09	●

● Target exceeded ● On target ● Target partially achieved



Flight safety and security the priority for both airlines

Airline safety in the three Group businesses

Flight safety does not rest only on adequate equipment and procedures. It relies first and foremost on the professionalism, commitment and attention of all employees involved in ground and flight operations. Both airlines are fully certified by their respective authorities based on applicable European regulations. In addition, both airlines are registered IATA Operational Safety Audit (IOSA) carriers.

The certification involves some 900 standards in all operational businesses and was renewed in 2009.

Top management involvement, safety risk monitoring, and permanent analysis of feedback from operations are deeply rooted in both airlines' processes.

Top management encourages staff to report any event that could impact operational safety through a blame-free policy, leading to more in-depth analysis of root causes and more accurate prevention initiatives.

Developing competencies

The Group constantly updates and enriches its training programs to ensure its staff are trained to the highest level.

• Constant concern for crew professionalism

In addition to their basic training, all pilots attend an 8-month practical course when they join the Group. Among other things, they must be able to demonstrate their ability to fly the aircraft manually in any normal or extraordinary situation.

Every year pilots receive continuous training in order to maintain their skills, adapt to the latest technologies, and show that they are able to cope with any emergency situation. Every year, for example, all pilots attend several training courses and flight simulator supervision sessions, plus one inflight supervision exercise and ground training, partially with cabin crews.

Over 4% of pilot working time is spent in training and 60% of cabin crew training is devoted to flight safety training each year.

Regardless of the economic situation, cost-cutting is never applied to training and skills upgrading.

• Crisis management

Emergency response plans are implemented in both companies and full scale crisis management exercises are run each year. When needed over 5,000 trained volunteer staff can be contacted in an emergency.

Integrating security into all operations

In view of the potential threat of criminal or terrorist acts facing the entire air transport sector the Group implements large-scale security programs to protect its customers, its staff, and its assets. This means continuous investment in developing and deploying measures such as regular aircraft checks, 100% baggage screening, random controls of personnel or checks on passenger boarding and deplaning formalities.

Accident to flight AF 447 Rio - Paris, 1 June 2009

As soon as the disappearance of flight AF 447 was announced on 1st June 2009, Air France employees rallied in their hundreds to assist the families and friends of passengers and crews, and to cope with the crisis and its consequences.

In compliance with international rules, the inquiry is being conducted by the French Accident Investigation Bureau for civil aviation (BEA). Air France is providing all possible assistance and information.

For the victims' families, as for the entire air transport community, it is vital to clarify the circumstances of this tragic event, understand the causes and define the necessary corrective measures to avoid any recurrence of this type of accident.

Focus on... Integrated Management System benefits for maintenance customers

Air France Industries and KLM E&M have opted to use an Integrated Management System (IMS) which gathers together in a single place all the efforts designed to achieve continuous improvements in corporate performance, largely for the benefit of customers and other stakeholders. In addition to a regulatory component, the IMS embraces Quality, Occupational Health & Safety, Environmental Protection, Risk Management, and Corporate Social Responsibility... The system is process-driven and involves a powerful focus on listening to customers as stakeholders. New products and processes are developed on the basis of surveys carried out among customers. Expectations as regards the environmental impacts of maintenance operations are factored in to the Green Maintenance program systematically and pragmatically applied by the Group. The IMS can be recognized by external bodies: Air France Industries is still the world's only aircraft maintenance operator to enjoy Single & Global Certification (on its entire footprint) which, since June 2008, has included eight international standards.

Developing an offering tailored to passenger expectations

Air France-KLM has implemented a structured process to engage customers in order to develop a product and service offering that meets their needs and expectations. This process breaks down into three stages that intermingle in a continuous loop.

The graphic below shows the different stages of the process.



implements its own action plans to improve customer satisfaction.

Customer satisfaction measurement terminals are being installed in French Airports and at outstations to gather clients feedback and measure their satisfaction. In 2009, 323 kiosks will be installed.

• Deploying mystery shoppers to assess service quality and service standard compliance

To oversee the quality of service delivered, Air France and KLM commission several hundred "mystery shoppers" each year to evaluate every step in the process.

2



Tailoring our products to customer expectations & improving service quality

- Innovate to make travel smoother and provide improved information thanks to e-service development
- Improve service quality via the "7 Service Standards" quality charter
- Develop an offering tailored to the diversity of our customers



Measuring customer satisfaction levels & drawing the lessons

- 650,000 Inflight surveys each year
- External audits by mystery shoppers
- Feedback analysis units
- Make complaints easier to register and offer proactive handling for passengers experiencing a major irregularity



2 Tailoring our products and improving service quality

Seeking to continuously improve service quality, Air France-KLM invests in technological innovation, the quality of the service provided by its staff, and in adapting its offerings to a highly diversified clientele.

• Investing in the latest technologies as a key benefit for our customers

The Group is continually enhancing its e-services offering delivering time and money savings and smoother processes.

A broad-based offer of E-services makes travelling easier. These include self-service check-in and flight transfer kiosks in the airports, online booking, cell phone check-in, or the latest innovation: "smartboarding", a personal smartcard that stores a passenger's fingerprints for independent, secure passenger boarding. In addition passengers can always benefit from the services of ground staff.

The Group has implemented preventive measures to mitigate the impacts of delays and cancellations. At Air France, ROC (Reservations Operation Center) contacts passengers in case of flight cancellations or severe flight disruptions. At KLM passengers can subscribe to the online "Manage My Booking" tool to get the latest flight information. Both companies also propose a range of services and information 24 hours a day via SMS or mobile internet.

For more information:

<http://www.airfrance.fr>, <http://www.klm.com>

• Improving customer relationship and service quality

In April 2008, an ambitious 3-year training plan was deployed to train all ground staff and cabin crew in the "7 Service Standards" quality guidelines. In line with the standards of the AEA (Association of European Airlines) these guidelines cover behaviors such as availability, attentiveness and a proactive approach, together with know-how, technical expertise and the regular provision of accurate information for passengers. By April 2009 60% of Air France ground staff and cabin crew had been trained.

• Developing an offering tailored to the diversity of our customer base

Group staff are trained to adapt services to passengers according to their cultural background with specific programs designed to meet the cultural expectations of passengers along with country fact sheets that set out the keys to dealing with customers from all over the world for cabin crew. Air France has also developed "Phoenix" a tailored service offer to satisfy specific expectations of its Indian, Chinese or American passengers.

Focus on... Bluenity. Providing a discussion forum for customers

In November 2008 Air France and KLM launched the airline industry's first social networking website. The new service allows customers to exchange information anywhere in the world among passengers leaving for a shared destination or traveling on the same flight. This original application, which helps passengers to create a web of professional or social contacts before, during and after their journey, currently has some 60,000 members and has had 700,000 visits since launching.

<http://www.bluenity.com>

• Offering a proactive service

Air France is offering a proactive service in the event of flight delays or irregularities: Recovery. 211,000 passengers benefited from the Recovery service in 2008 and 466,781,000 miles have been distributed as compensation. Some 94.7% of customers were satisfied or very satisfied with the Recovery program. Moreover, the Group focuses handling complaints in a timely manner. Respectively, 93% and 95% of all e-claims are answered within 9 days by Air France and KLM.

• Providing access for all

Air France-KLM provides special service for passengers who need assistance. In 2008-09, nearly 350,000 passengers with disabilities or reduced mobility traveled on the Air France network. A customized service, Saphir, for Air France, and KLM cares for KLM, offers personal assistance in 19 countries.

The unaccompanied minor service assures special care and attention at each step of the journey to an average of 420,000 children travelling alone (UM) on the Group's flights each year. A new dedicated waiting lounge of 200m² with games, DVD and more, has been opened at Paris-CDG airport, terminal 2E.

ACCORDING TO A SURVEY CARRIED OUT IN JANUARY 2009, FLYING BLUE MEMBERS ESTIMATE THAT THE AIRLINE INDUSTRY IS RESPONSIBLE FOR AROUND

12%

OF MAN-MADE CO₂ EMISSIONS, WHILE ITS ACTUAL SHARE IS ABOUT

2%

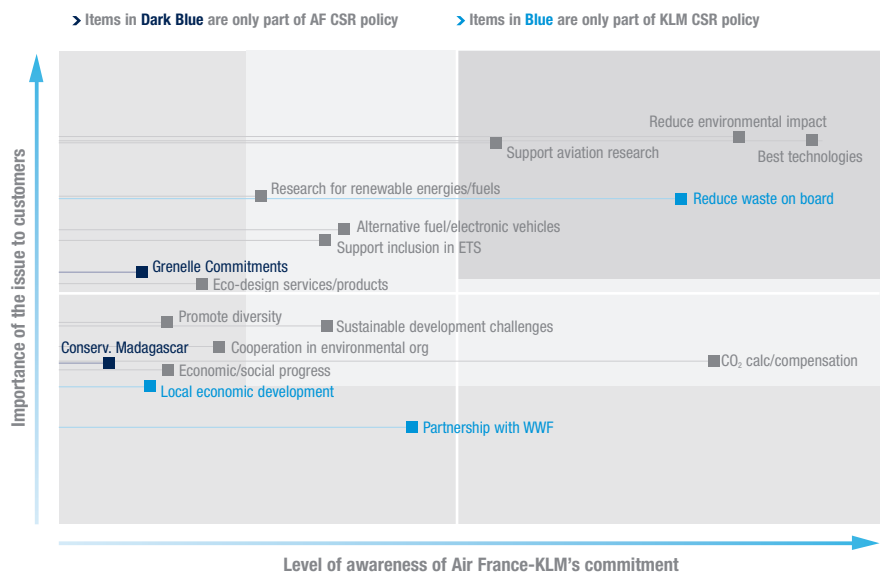
Involving our customers in our Corporate Social Responsibility (CSR) program

Customer survey about corporate social responsibility

In 2009 Air France-KLM carried out a study of sustainable development and corporate social responsibility policy among over 8,000 customers.

The graph below shows the relative importance of the CSR issues which are part of the Air France or KLM Corporate Social Responsibility policy as perceived by customers, together with their awareness of Air France-KLM's CSR engagement on this issue.

Customer feedback on Air France-KLM CSR policy



Raising customers awareness about sustainability issues

The Group uses a wide range of tools and publications to involve customers in their CSR program. Both airlines' inflight magazines inform passengers about CSR initiatives pursued by each airline. These have an extensive communication reach, as around 50 million people fly with Air France-KLM each year. Additionally, KLM airs a CSR inflight movie which gives an overview of all the company's activities in the field of corporate social responsibility.

In April 2009 Air France launched the New ECPAT campaign against the sexual exploitation of children, screened on board long-haul Air France aircrafts.

In June 2008 SkyTeam Member and Associate Airlines adopted a Corporate Social Responsibility Statement to ensure that the development as an alliance aims for outstanding performance not only in the economic sphere, but also in the social and environmental spheres.

Proposing a responsible service

Carbon emissions calculators and compensation services for passengers were successfully introduced in 2007 and have now been extended to Cargo customers.

For corporate customers, reporting of CO₂ emissions generated is provided by both companies (Further information is presented in the climate change chapter page 24).

To raise awareness among corporate accounts and business customers, both airlines add the Corporate Social Responsibility statement to their contracts. Nearly 3,000 contracts are concerned today.

The Group is adapting its services and products to enhance their performance in terms of environmental, social and local impacts. For example, the disposable plastic bags previously used aboard aircraft have now been replaced with re-usable bags; all proceeds from sales go to Air France Foundation. The new design of Air France

"Aerolight" short haul seat reduces aircraft weight and generates 4,350 tons fewer CO₂ emissions.

As part of its commitment to protect biodiversity, last year KLM introduced sustainable fish (MSC certified) on board its intercontinental World Business Class flights and plans to extend the Service to Economy Class. As a follow up, the food policy for all outbound catering will adhere to the WWF's Red List of Threatened Species. The Styrofoam cups in Economy Class have been replaced by biodegradable cups that are also lighter. Both the breakfast box in Economy Class on European flights and all milk is of organic origin and the Rainforest certified coffee is a well-known and appreciated commodity offered on the entire fleet.

Ms Priscilla Crubézy is the consumer Expert in the French delegation contributing to the drafting of the forthcoming ISO 26000 standard on the Social Responsibility of Organizations.

Air France-KLM has made progress in the way it engages in dialogue with stakeholders, and notably with its customers. The method is clear, and the process is well-structured. However, a more distinct treatment of individual customers and business accounts or travel agencies would bring more precision. If we consider that the main task of an airline is to offer a personal service, there are legitimately strong expectations concerning Air France-KLM's responses to passenger needs. Passengers expect greater transparency as regards fares, the information they are given, and respect for consumer rights.

A long-term relationship underpinned by structured, regular discussions would help all parties to better understand the others' expectations, limitations and responsibilities. Going even further, I would suggest that Air France-KLM extend this relationship in order to propose services that are increasingly attentive to the consumer and the environment, in tune with expectations that will continue to evolve and grow.



Priscilla Crubézy,

Representative of the
"Association Léo Lagrange
pour la Défense des
Consommateurs"
(consumer rights group)

Stakeholders	Engagement topics	Engagements pathways	Achievements 2008-09
Passengers and trade bodies (B2C)	Customer satisfaction Quality of Service	Satisfaction surveys Twice-yearly meetings with "Flyer Talk" passenger association Dialogue with disability associations at European level Information on products and services Business networks	2008 SCORE survey: 650,000 questionnaires completed CSR survey (see page 36) Launch of Bluenity (see page 34) "7 Standards" Quality of Service Charter published Several hundred mystery shopper audits Websites (afklm-newsaffaires), newsletters Club China and Club Africa business networks
Corporate customers (B2B) Cargo and Travel Agent customers	Customer satisfaction CSR commitments Awareness-raising on sustainable development issues	Meetings with customers, associations of travel buyers (ACT)	Corporate buyer satisfaction surveys, "Travel Managers" survey "AF Commits" seminar in June 2008, attended by around 100 corporate customers CO ₂ reporting for corporate customers, CSR annex to corporate contracts Presentation of Group CSR policy to travel agent networks New Cargo CO ₂ compensation program
Aircraft Maintenance customers	Quality of Service	Satisfaction surveys Certification Integrated Management System	Deployment of "Green Maintenance" Single & Global certification offered by Air France Maintenance extended to OHSAS 18001 Participation in ISO 26000 working group at AFNOR
Partner airlines	Flight safety Quality of Service CSR Commitments	Meetings based on cooperation, trust and transparency Feedback system	Tracking of IOSA certification renewal SkyTeam CSR Charter signed (see page 14) Subsidiary airlines included in CO ₂ calculations Annual "Partners Safety Meeting"
National and European Authorities	Flight safety EU regulations	Close cooperation and expert role with CAAs Lobbying initiatives	Renewal of IOSA Certification for AF and KL See public positions (consumer rights, page 11)
Airports	Accessibility/Dedicated areas Safety/Security	Meetings to improve care of passengers with reduced mobility or special needs Air France- Aéroport de Paris common working group "Succeeding Together"	Review of service provided by airport authorities to passengers with reduced mobility Terminal 2G opened at CDG Reopening of special 200m ² area for UMs at T2E at Roissy CDG Customer satisfaction tracking indicators deployed with ADP

Promoting a responsible human resources policy

Air France-KLM considers its 107,000 staff as central to its success. Operating in more than 100 countries, the Group seeks to offer them stimulating career prospects. The human resources policies of the two airlines seek to preserve jobs and develop staff employability and mobility in a difficult economic environment. Training and workplace safety are still key issues, and the Group is determined to foster diversity and equal opportunities.

Joint commitments

The Air France-KLM Social Rights and Ethics Charter, signed in February 2008 sets out the values and fundamental rights underpinning the group's identity and cohesiveness, and defines the foundation of Group commitments:

- Support the fundamental principles of the United Nations Universal Declaration of Human Rights and the European Union's Charter of Fundamental Rights,
- Promote social rights and comply with the conventions of the International Labor Organization and the Social Charters adopted by the European Union and the Council of Europe,

- Actively pursue and reinforce all measures promoting health, safety and dignity in the workplace, which are deemed priorities,
 - Foster staff employability and mobility,
 - Encourage the development of responsible social dialogue and a relation of trust at all levels,
 - Encourage equal opportunity and ban all forms of discrimination.
- The Charter was signed by the general managements of all Group entities and made available to all staff. It also contains the Air-France KLM Corporate Social Responsibility Statement signed in July 2006.

Specific management objectives for each company

	Objectives	Schedule	Achievements 2008-09	Status
Air France	Develop employee competencies and promote professional mobility to enhance employability and safeguard jobs Sign new agreement on employment in 2009-2012	Permanent 2009	426 staff on geographic mobility in France, 2,112 job changes (of which 235 moving into the cabin crew sector) 25% of training devoted to enhancing skills, updating job content and retention in employment for ground staff	●
	Reduce the occupational accident frequency rate by 30% Achieve a further 30% reduction in the occupational accident frequency rate	2005-2008 2009-2012	Between 2005 and 2008 there was a 23% reduction in the occupational accident frequency rate in France	●
	Increase the employment ratio of disabled workers by 0.5 of a point per year Conclude a new Gender Equality Agreement for 2009-2012	Permanent 2009	A 0.6 point increase in the employment ratio of disabled workers compared with 2007 (with 38 new hires and an increase of 27% in purchases from the sheltered employment sector) Equal pay measures for 359 female non-managerial ground staff	●
KLM	Stimulate mobility inside and outside the company	Permanent	Elementary leadership program implemented	●
	Increase awareness of employees on their own wellness and health Increase mobility where jobs are physically extremely strenuous	Permanent	Internet health scan carried out by over 2,000 employees. 46 rampsnakes (an innovative loading device) procured and now operational	●
	Create an equal opportunity mindset for a diverse population	Permanent	The proposal for a yearly internship for a disabled student at every KLM division was adopted by KLM's management	●
	Build more flexibility into workforce and contracts	Permanent	Pilot rostering scheme carried out. Has not led to structural improvements in rosters	●

Local staff at outstations

Finalize negotiations regarding harmonization of working conditions at joint Air France-KLM outstations	2010	Harmonizing collective labor agreements in 30 countries	●
Define additional social benefits	2011	Launch of audit on retirement policies and health insurance	
Annual survey on perception and satisfaction for all employees	Permanent	Results of the "Inter'Face" survey explained to all employees	●

● Target exceeded ● On target ● Target partially achieved



Developing staff mobility and employability to safeguard jobs

Minimizing the impact of the economic crisis on jobs

Confronted with a sharp deterioration in the economic climate, the decision by Air France and KLM to pursue a socially responsible employment policy means they must seek every possible means of internal adjustment. The best guarantees for preserving jobs call for responsiveness, an ability to adjust, and dedication on the part of everyone. This is why the Group has maintained and stepped up its efforts in respect of training and staff mobility.

To offset the fall-off in activity affecting the Group since the last quarter of 2008, Air France and KLM have opted to freeze hiring and not to replace departing staff. In 2008-09, the initial measures have succeeded; Air France ground staff numbers, for example, have been reduced by 2.5% without resorting to lay-offs. In entities with temporarily reduced activity mutual support is being organized and staff are assigned to other divisions that are understaffed.

Some activities from saturated sites are also routed to sites with spare capacity using the interconnection systems developed in recent years. Some airfrance.fr website helpline activity is handled locally in Pau, Rennes and Brest, for example.

Measures to adjust structures are being put in place to minimize the impact of the crisis.

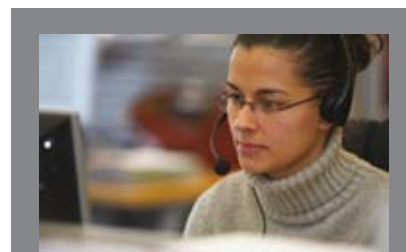
Air France is also developing teleworking. By 31 March 2009, some 60 staff in France had opted for this possibility. Teleworking should expand and involve several hundred staff in new job sectors.

Fostering mobility

Two new programs designed to leverage skills and encourage mobility have been launched at KLM's Commercial Division, named "My personal Profile" and "My Marketing Plan". The objective of both programs is for an employee to contemplate his career path and mobility and to set actions to achieve his goals. The program has received favorable comments from the 130 participants so far. KLM Ground Services' mobility and training catalogue has been created to help managers provide guidance for their employees. In addition, Ground Services published a special magazine in which staff, tell their own story of successful transition within or outside KLM, meant to inspire colleagues and make mobility a more common subject to discuss and consider.

Air France has set up operational jobs mobility committees aimed at a coordinated, cross-functional approach to changing activity levels organized by job catchment areas. These committees foresee and plan for the necessary trade-offs between geographic and professional mobility. Eleven meetings took place in 2007-2008. In 2009, the committee will meet every two months. Moreover, discussions on the future and deployment of activity throughout France are ongoing (see *Focus*).

New applications have been developed to help managers and staff to manage their own mobility and that of their teams. A dedicated mobility area has been opened (average 250 visitors and 40 mobility assessments per month). A new, web-based jobs exchange was also launched (66,000 individual visits a month, with an average of 93 new job offers posted online each month).



Focus on... Regional employment

Air France has implemented a cross-functional program at the highest level to encourage local professional mobility within a single local employment pool. A Regional Employment Management Committee brings together the EVPs of the various sectors involved: Commercial, Operations, Cargo, Engineering & Maintenance, IT, Economy & Finance, and Human Resources. The Chairmen or CEOs of the Brit Air and Regional subsidiaries also sit on this Committee.



Train staff to develop and adapt skills

To overcome the crisis, preserving competitiveness is crucial. The two companies must constantly adjust to changes in their economic, competitive and technological environment.

A first, 3-year agreement on training was signed at Air France in July 2008. This was designed to increase accessibility and guarantee equal access to training and its effectiveness. Investment in training amounts

to more than 10% of the total wage bill at Air France – far higher than the French legal minimum of 1.6%.

Air France is also continuing its efforts to encourage career-long training. Staff's use of their personal training entitlement (DIF) doubled in 2008, reaching 6.8%, while 42 staff benefited from the VAE system of accreditation with a diploma of professional experience and on-the-job training.

Air France also encourages young people to find jobs and join the workforce via block-release training: 63% of apprenticeship and

professionalization contracts signed in 2007 were transformed into long-term employment contracts in 2008, while some 460 new contracts were signed.

The KLM Academy offers "career and leadership sessions" for high-potential staff, along with management training for line managers, operational staff and experts. Master Classes are organized to enable senior managers to share their experience with other staff. The Elementary Leadership management course launched in 2007 was attended by 103 managers in 2008-09.

Air France - Breakdown of training hours for ground staff (1,241,942 hours in 2008)



A responsible merger of two airlines and a presence on a world-wide scale

The Group is structured into two airlines, which each keep their own separate identity, together with differences in social legislation from one country to the other. Moreover, over 8,000 Group staff work overseas, in over 100 countries.

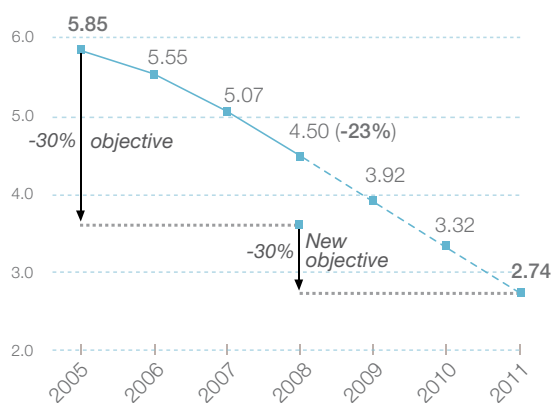
There are distinct human resources policies, laws and cultures in France and the Netherlands, but rules have been drawn up to enable merged entities to work together and managers to overcome the differences in compliance with the HR processes specific to each airline.

The process of harmonizing working and employment conditions has been completed in over 30 countries and will continue in the remaining countries with joint operations, with alignment set to be finalized 2009-10.

Over 75% of the 100 countries (excluding France and the Netherlands) have adopted the joint system of target setting and performance appraisal models for local staff, along with a common set of skills guidelines to direct development initiatives.

In the sales and marketing sphere, harmonization of the training offering in joint sectors continues. A common approach to oversee mobility in combined functions is also being developed. Elsewhere, human resources workshops have been set up to provide managers who are in charge of teams from Air France and KLM, working with French or Dutch employment contracts, with the rules and systems that will enable them to manage their staff so as to respect both the terms of their employment contracts and their company of origin.

Industrial injury frequency (IF) coefficient at Air France



IF (number of industrial accidents for 100 employees/year)

Guaranteeing safety and promoting a healthy workplace

One Group priority is to ensure optimal safety levels for its staff by putting safety in the workplace on a par with flight safety.

The target of reducing the industrial injury frequency rate at Air France by 30% in 3-years in 2006-2008 was exceeded by most units, except in the case of flight crews (the reduction in cases of barotalgia in particular, which account for 50% of occupational accidents, fell short of the target). The total reduction amounted to 23%, which means that 600 lost-time injuries were avoided, thanks to the deployment of a new accident analysis and prevention system. The prevention of specific risks was strengthened by the October 2008 signing of a charter for the prevention of alcohol-related risks. Training initiatives have been stepped up, and safety performance factors have become a factor in top management bonuses.

The target of a 30% cut in the industrial injury frequency rate is renewed for 2009-11 in all Air France's divisions. Accident reduction programs must be continued, notably focusing on efforts to reduce musculo-skeletal disorders (MSD), risks of falls and risks related to road and airport traffic. A number of departments have, for example, called in physical-therapists and ergonomists, helping to progressively reduce the number of MSD, which account for 37% of lost-time injuries. Workplace

safety performance figures are monitored monthly by the Executive Committee. Since 2007, Air France Industries has been certified OHSAS 18001.

KLM's commitment to workplace safety is set out in the company's Safety and Security Policy. Although lost-time accidents have been falling steadily for several years from 250 in 2001/2002 to approximately 150 in 2008/2009, the number is still too high. Additional measures will be rolled out in order to improve these results, by setting goals for managers and implementing the same kind of systems and practices in the area of occupational safety as are in place for flight safety.

In March 2008 a severe traffic accident occurred at KLM's Cargo division resulting in one fatal casualty. An investigation by the government and KLM to determine the cause resulted in measures to improve safety which entailed additional pedestrian crossings and well-indicated footpaths.

The company also organized a one-day awareness raising event for flight crews, comprising a number of stands manned by experts on topics such as coping with sleep disturbance due to passing time zones, responsible alcohol intake and prevention of infectious diseases. The event was so well attended that other similar initiatives are planned.



Focus on... the prevention of HIV/Aids and malaria

In late 2007, following an Aids awareness-raising and action program in South Africa, Air France-KLM launched a campaign in Nigeria for its 150 staff there and their immediate families. The campaign initially targeted awareness, with a march held by staff wearing tee-shirts in the streets of Lagos, a distribution of condoms, anonymous screening, and free and fully-confidential medical care through clinics run by the Unic Health insurance company.

Regarding the prevention of tropical diseases, and of malaria in particular, several measures have been implemented by Air France and KLM. These include regular staff briefings, special training programs, and provision of protective anti-mosquito kits. Following the death in January 2008 of an Air France hostess from malaria that was diagnosed too late, these programs have been stepped up even further and measures to inform and alert general practitioners and families to the risks and specific symptoms of such diseases have been implemented.

Women in Air France-KLM (%)

Board of Directors	6.6%
Executive Committees	Group (GEC): 0% AF: 8.3% KL: 6.7%
Senior managers/executives	AF: 24.2% KL: 18.9%
Ground staff managerial	AF: 29.4% KL: 23%
Flight crew managerial	AF: Cabin crew: 51.9% Cockpit crew: 5.0% KL: Cabin crew: 73.6% Cockpit crew: 2.9%
Ground staff, non-managerial	AF: 40.8% KL: 26.6%
Flight crew	AF: Cabin crew: 64.8% Cockpit crew: 6.4% KL: Cabin crew: 82.6%

Focus on... KLM's CSR Café & Drive In

With its quarterly 'CSR Café' meetings, KLM highlights a CSR-related discussion topic to which anyone with a personal or professional interest can contribute. The first two meetings of the CSR Café respectively addressed the UN's Millennium Development Goals and Biodiversity. By organizing 'CSR Drive Ins' in Business and operations, KLM aims to inspire and involve staff in CSR. The CSR coordinator, in cooperation with the communications officer set up a CSR awareness program specifically aimed at the business or department they belong to. This ensures easy identification with CSR topics and invites staff to come up with ideas or do a work-impact scan.



Promoting diversity within the group

Fostering equal opportunity and combating all types of discrimination

To foster diversity, Air France-KLM pursues a social policy based on integration through employment, respect for equal opportunity and the prevention of all types of discrimination. The audit of recruitment processes carried out in 2007 by the French "Observatoire des Discriminations" had revealed no inequality of treatment at Air France. A diversity platform was set up in 2008 to further coordinate initiatives in this area.

Promoting gender equality

At Air France, implementation of the second agreement on professional equality continued through 2008. Approximately 80 trade union representatives and HR managers attended a training session to help them read the "Professional Equality" report and improve their knowledge of the main issues, notably the legal ones. 359 female staff benefited from compensation equalization measures in 2008.

At KLM, female managerial staff are offered coaching by managers from KLM and other companies to help them achieve elevated positions of responsibility.

Facilitating employment of seniors

In 2006/2008, indicators for monitoring the careers of seniors had already been implemented. In mid-2008 Air France launched

its "pilot'âge" program aimed at fostering employment of older staff. The first phase led to an overview of the situation and recommendations, the second phase will be devoted to implementing and following up the agreed measures. In the non-managerial category, 80% of staff aged over 51 and 79% of those aged over 55 attended at least one training session in 2008 (respectively 76,5 and 69% in the managerial category).

Employing more people with disabilities

For almost 18 years now, Air France has been committed to a policy of fostering the employment of people with disabilities and continues to do so. Between 2006 and 2008, 94 staff with disabilities were recruited as part of the 3-year agreement (for an objective of 75), and in 2008 the company employed over 1,500 disabled staff in total, which corresponds to a ratio of disabled employment of 3.14% (the legally required ratio is 6% in France).

Despite the hiring freeze, the seventh agreement, signed in 2009, maintains the hiring target of 75 disabled staff over 3 years, as well as a new envelope of 9 million euros for the years 2009-2011. This will notably finance action to keep people in work, modify work stations, and provide training. In 2008 some 3 million euros were invested in this way, 18% of it to raise staff awareness and help create partnerships, while 54% went on maintaining staff in their jobs and 15% on training.

Involving staff in the group's Corporate Social Responsibility program

Both companies provide training and organize initiatives to raise awareness on the CSR program among their staff and involve them in it via numerous articles in a range of in-house publications, participatory innovation programs and specially-organized events, as during the "Committing Air France" seminar in June, 2008 with numerous stands and films presented to the staff. Both companies carry out in-house satisfaction

surveys. 85% of Air France staff polled in April 2009 felt that "Air France is a company that invests in sustainable development", a score which has been growing steadily by 2-4% a year.

With the Quality Innovation Program, Air France encourages creative innovation by staff in areas as different as quality, workplace health and safety, risk management and the environment (see page 13).

With respect to social issues in corporate strategy, I am convinced that commitments entered into after consultations with employees and their representatives are stronger and more credible. The Air France-KLM European Works Council may be the place for this type of consultation. I can see several advantages to this, including the creation of a social culture common to both companies, and, with the trade unions, the possibility of exchanging best practice and an opportunity to create a common social issues reporting system. Stakeholders want access to consolidated indicators setting out details of Group performance. Here again, I recommend consultation with social dialogue bodies to choose a small number of indicators which will be used alike by external stakeholders, employees and their representatives, and subsidiaries. I am also pleased to see a decrease in the Air France-KLM Industrial Injury Frequency rate. That said, the Group ought to extend its reporting scope to include suppliers and sub-contractors in order to give an accurate view of its value chain end-to-end. As an air-transport sector market leader Air France-KLM should also communicate about its support measures for suppliers, such as training.



François Fatoux,
Executive Director,
CSR Study Centre (ORSE)

Stakeholders	Engagement topics	Engagement pathways	Achievements 2008-09
Trade Unions European Works Council	Social dialogue Occupational safety	Negotiations, signing of collective agreements - Agreement Oversight Committee - Works Councils Committees CHSCT (Health and Safety Committee) in every establishment at Air France	23 collectives agreements and endorsements signed by Air France
Employees	Employee satisfaction Air France-KLM merger Raising awareness about Sustainability/CSR	Perception surveys: - In-house AF IPSOS poll of 6,000 staff each year - Annual Inter'Face poll of 8,000 Air France-KLM personnel employed outside the home countries - IPM (Internal Perception Monitoring) bi-annual poll on the combination between Air France and KLM of 1,500 staff and 950 managers Internal communication, discussion forums	Inter'Face: 73% of respondents are satisfied with their material working conditions 79% with their health and occupational safety conditions 84% of respondents are satisfied with their company as an employer 86% would recommend their company as an employer IPM: more than 80% of respondents are motivated to work within the Group and more than 90% say they are proud to work for it A summary version of the 2007-08 CSR report was made available to all staff KLM CSR Café and CSR Drive In, Sustainable Development Week stands at AF, etc
National and EU authorities	Employment, training, working conditions Non-discrimination, diversity	Meetings with Ministries, HALDE (the French High Authority against discrimination)	Agreement for a collaboration program of 11 Air France engineers for the 2007-2012 period with the French Ministry of Education
Professional associations and bodies	Disability CSR Research on Diversity	Inter-company working groups (ORSE, ANVIE, IMS etc.) at Air France, with disability groups and the French National Federation of Merchant Aviation Co-monitoring of a research project on diversity with ESSEC business school teachers and two other companies	Focus groups with Air France employees on their perception of CSR for the ORSE Partnership with the Essec business school on "diversity and Performance" program

Driving local development

While the air transport sector contributes to 8% of total global domestic product, airline operations also bring numerous economic and social benefits at local level. As a result of its extensive presence around its two hubs at Roissy-CDG and Schiphol, and of its huge international network, the Air France-KLM group contributes to the economy and the development of the areas where it operates and the countries it serves. The two airlines are heavily committed at local level and continually strive to build up lasting dialogue with communities and to provide jobs locally and develop skills. In 2009, the Group aims to integrate local CSR actions in its operations.

Joint commitments

Air France-KLM aims to support economic and social development in the vicinity of its airports and around the world by:

- Building long-term relationships through information, dialogue and partnerships;
- Contributing to economic and social progress directly through its activities and indirectly through its capacity to create jobs and help develop skills;
- Using its human, logistics, and financial resources to invest in development programs within dedicated organizations set up by the group or with specialized partners, working to align with the United Nations Millennium Development Goals.

Specific management objectives for each company

	Objectives	Schedule	Achievements 2008-09	Status
Air France	Contribute to local economic development around our home bases	Ongoing	Support networks of small and medium enterprises (SME) around Roissy such as PLATO Roissy-CDG that groups 60 local SMEs Support Pays de Roissy-CDG network of 12 local SMEs in safety and security sector Local purchasing: half of procurement sourced in Île-de-France (€2.0 billion)	●
	Improve communication with local communities	Ongoing	Four issues of "Le Courrier, Air France partenaire de l'Île de France" in 2008-09	●
	Support local organizations for development and training and participate to their projects	Ongoing	Active participation on the Board of local organizations (JEREMY, AirEmploi, Pays de Roissy-CDG, AFMAé) Support the twinning Pays de Roissy-CDG operation "One town, one plane"	●
	Maintain humanitarian sponsorship in spite of economic fluctuations Increase the annual donation to the Air France Foundation to 2 million € by 2011	Ongoing	Funding of €5.3 million to humanitarian, cultural and sports projects (excluding projects for environmental protection)	●
KLM	Encourage development around KLM bases by sponsoring local projects	Ongoing	Corporate funding of €1.1 million to humanitarian, cultural and sports projects (excluding projects for environmental protection)	●
	Ensure consistency in sustainable development initiatives regarding the community both for environmental and social actions	Ongoing	Partnership on Sustainable Tourism with IUCN, WWF Netherlands, Cordaid and University of Wageningen for 5 years Participation in UIDT for the development of sustainable tourism	●
	Continue to contribute to the UN Millennium Development Goals	Ongoing	Introduction of new KLM AirCares policy, compliant with UN Millennium Development Goals Launch of Sustainable Label: procurement of 3 gift articles compliant with Base of Pyramid philosophy	●
	Contribute to reflecting on the future of Amsterdam Airport Schiphol and its surrounding region through greater dialogue with communities	Ongoing	See also chapter Minimizing our Environmental Impacts. Agreement Alders Table Operational measures in cooperation with CROS and Knowledge and Development Center (ATM, AAS and KLM) Investment of 2 FTE dedicated to development CROS initiatives Investment in noise insulation program for this year: € 24,5 million	●

● Target exceeded ● On target ● Target partially achieved



4,000

DIRECT AND INDIRECT JOBS GENERATED
PER MILLION PASSENGERS CARRIED

Fostering two-way communication and long-term involvement at local level

Consolidating our commitment to areas around airports and their residents

Both airlines are engaged in a proactive dialogue with residents and communities in the areas where they operate. At Roissy-CDG and Amsterdam Airport Schiphol, they communicate directly with their local partners with respect to their local activities and presence. With its *"Le courrier, Air France partenaire de l'Île-de-France"*, published since 2007, the Company details its involvement in the regional economy, its own local programs, and their impact.

As examples of dialogue, Air France and KLM are respectively involved in the Environmental Advisory Committees (CCE) and the Schiphol Review Board (CROS), on environmental and noise topics (See chapter *Minimizing our Environmental Impacts*). Two KLM employees work full time on CROS projects.

Adding a new dimension to local and national dialogue

Air France participated in the regional discussion about the CSR Charter for Roissy-CDG. This involvement allowed the Company to dialogue with territorial stakeholders on subjects such as governance of the Roissy territory, access to the airport by public transport and local economic development.

KLM supported Amsterdam Duurzaam (Sustainable Amsterdam), which brings together companies, education organizations and local authorities, to share the latest developments in sustainable products and services. KLM is a party to the Dutch national agreement on mobility signed in 2008, and which is designed to improve the fluidity of traffic and travel around Amsterdam Airport Schiphol. A 10% reduction in vehicle use has been agreed for 2011, to be achieved by rationalizing the use of existing infrastructure and developing new. KLM has committed to the target via a number of measures, such as reductions in public transport fares.

Contributing to local economic and social advances

Developing activity in the areas where the group operates

In addition to the private sector activity it generates, air transport also contributes to the creation of indirect and spin-off activities which irrigate the entire regional and domestic economy.

In the Greater Paris region (Île-de-France) Air France is providing around 50,000 of

the 118,000 direct jobs generated by the airports at Roissy-CDG and Orly. Over half of Air France's French procurement (excluding fuel) is sourced in this area, from some 3,500 suppliers for a total of 2.0 billion euros.

Amsterdam Airport Schiphol employs 60,000 people and generates another 60,000 additional jobs.

Focus on... Pays de Roissy-CDG organization

Set up in 2003 Pays de Roissy-CDG is an organization comprising players involved in local life (elected officials, business leaders, local people) in some 110 municipalities around the airport. Its aim is to develop, federate and promote local dynamics. Air France, which is a founder-member of the organization, has seconded two staff part time to the body.

The organization is organized into themed working groups focusing on economic development, transport, housing, training and culture. In 2008, it worked for example on improving public transport serving the airport, designing temporary residences for airport employees, a network of SMEs in the security and safety sectors, and airport training courses for young people. In 2007, it started the operation "One town, one plane".

www.paysderoissy-cdg.asso.fr



No.1

AIR FRANCE FIRST
PRIVATE EMPLOYER
IN PARIS REGION

120,000

DIRECT AND INDIRECT JOBS DEPEND ON SCHIPHOL OPERATIONS

Focus on... JEREMY's first decade

Set up in 1998 at the initiative of Air France, the non-profit organization JEREMY (Jeunes en Recherche d'Emploi à Roissy et Orly) set itself the target of fostering the insertion of local residents who are under-qualified. It pools the hiring opportunities of fifteen member companies and, in partnership with public sector players, has implemented a scheme that combines training, work experience and social support. In 2008, some 372 young people attended training courses in careers available at the airport, including drivers, ramp agents and receptionists. Some 2,000 young people have found permanent jobs at the end of their training term since JEREMY was founded. The organization, which has been an outstanding success, celebrated its first ten years in July 2008.



In 2008 Air France worked with 54 establishments in the protected sector (which employs a majority of staff with disabilities) spread over three employment areas around Roissy, Orly and Toulouse, spending a total of 8.7 million euros. The main activity sectors concerned are laundry services, upkeep of green spaces, and printing.

Some of the taxes the airline pays, such as the business rate, revert to the local area, thereby contributing to regional development. In 2008, for example, Air France paid close to 166 million euros in taxes ultimately benefitting the local economy.

Contributing to local training and skills-sharing initiatives

Different KLM divisions have partnerships with local education centers. In cooperation with ROC Amsterdam, KLM assists in defining training programmes and offers youth training on engine and aircraft construction; KLM also offers internships in maintenance, in cooperation with two Dutch schools, followed by 2-year contracts.

Air France contributes to the development of local skills by training people for careers in aviation. The company is a founder member of three voluntary bodies: AirEmploi, which presents career openings and training in the air transport and aeronautical industry and this year launched a specific action directed towards young women, to encourage them to enter maintenance jobs; AFMAé, Air Transport Industry Training association for training in aviation careers, which trained 522 apprentices in 2009, with 95% of those who completed their apprenticeships with Air France being hired; and JEREMY (see Focus).

Contributing to the economy of the countries served

Aviation is vital for the economic and social development of a country. When an airline route is opened it enables a country to connect to the world, enter the global marketplace and develop trade links, thereby contributing to its economic growth. Through its two airlines, the group serves no fewer than 244 destinations in 104 countries, including 30 in West and Central Africa and a strong position in South and East Africa.

Understanding... Sustainable tourism

Sustainable tourism is an industry committed to having a low impact on the environment and local cultures, while helping to generate income and employment for local people. Air transportation plays an essential role in the supply chain of agencies offering sustainable holidays. Air France-KLM is committed to investing in environmental protection beyond regulatory regulation, taking measures both to reduce ecological impact and enhance social and local economic impact. With the branch organization IDUT (Initiative Group Sustainable Outgoing Tourism) and several tour operators, KLM is actively working on concepts of sustainable tourism and supports Wageningen University in setting up a Chair of Sustainable Tourism.

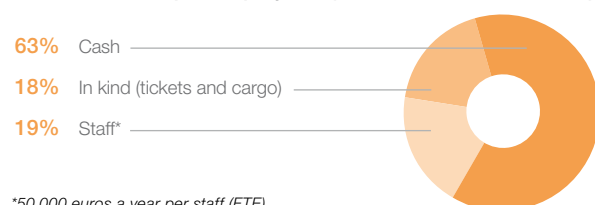
The Group is also actively engaged in encouraging skills transfers. Developed in 2001 by Air France in Mali, Senegal and Gabon, the AIDA program (Assistance, Investment and Development in Africa) assists African airport handling companies in professionalizing their organization and meeting the increasingly demanding standards of ground handling activities. One of the actions in progress in Libreville aims at developing modern computing tools used in airports in the Africa-Middle East network.

The Group is the only airline company to lead such a sustainable development program in Africa.

In this framework also, since 2005 Air France has partnered the African Air Transport Professions Institute (IAMA), headquartered at Bamako airport in Mali. IAMA provides international-level regulatory and technical training courses for aircraft handling jobs. Nearly 1,500 staff from African firms receive training there each year.

Supporting humanitarian and development programs

Air France-KLM contributions for humanitarian, cultural, sports and local development projects (10 million € en 2008-2009)



*50,000 euros a year per staff (FTE)

Fully aware of the contribution an airline can make, both Air France and KLM have always been involved in humanitarian and development programs. Their contributions are numerous and in 2008-09 represented the equivalent of 10 million euros in the shape of donations in kind, free transport of passengers and equipment, skills sponsorship, awareness-raising campaigns and other initiatives.

Air France initiatives

The Group is providing assistance via its air transport role, mainly to deliver emergency health assistance for over 150 organizations. The free transport of passengers, medical equipment and emergency supplies has been valued at approximately 1.6 million euros in the 2008-09 financial year. All Air France divisions are involved and, for example, Air France Industries allocated 20 days of

aircraft mechanic service per year to Aviation sans Frontières organization.

By sponsoring the Air France Foundation and Acting for Life-Groupe Développement, Air France supports projects helping children in distress and development programs.

The Air France Corporate Foundation set up in 1992 supports children's programs devoted to universal primary education. For the period 2008-2013, the Foundation has committed to an 8.5 million euro program of action. A total of 43 programs were given support in 2008, benefiting thousands of children. In 2009, it is funding new charities such as Caméléon in the Philippines and Enfants du Monde-Droits de l'Homme in Lebanon, charities caring for street children, Dynamo International (a voluntary body that trains children's social workers), and other charities helping children orphaned by HIV/Aids. *More information at <http://fondation.airfrance.com>.*



Focus on... the KLM sustainable label

Besides having a direct economic impact, airlines also have indirect influence on local economies at their destinations. KLM is developing an approach, based on Prahalad's Base of the Pyramid principle, which offers local businesses an outlet for their products. The approach not only ensures benefits for local economic development but also makes sure that manufacturing takes place with respect for the environment. Besides complying to fair-trade rules as well as quality and design standards, the airline should be able to fully integrate the product into its distribution and communications network. A first outcome was the manufacturing of give-aways such as cufflinks and shawls from Peru. The ultimate goal is to offer suitable sustainable products to KLM's passengers on board.



Focus on... The NGO Acting for Life-Groupe Développement and micro finance

Air France has partnered Groupe Développement for 25 years, an NGO it co-founded with other tourism professionals. In June 2006 it renewed its partnership for a further ten years in order to place the roll-out of development programs on a long-term footing.

In 2008, the NGO, renamed recently Acting for Life, supported 51 projects in Africa, South Asia and South America, in the field of child protection, economic development and sustainable tourism.

Among them, one project was held in the rural and peri-urban region of Kpalime, in Togo, in partnership with the local NGO Sebaders. It aimed at giving disadvantaged populations access to micro-credit and training, so that they could develop income-generating activities. Some 3,000 small entrepreneurs were given the chance to start or continue their agricultural, commercial, handicrafts or tourism activity. This renewed economic dynamism has further benefited 25,000 people in the region.

Geographical breakdown of funding for humanitarian projects in 2008-09 (4.5 million €)



KLM initiatives

With KLM AirCares, KLM supports projects that comply with the Millennium Development Goals (MDGs).

KLM AirCares supports three projects over the long term by offering travel, freight, expertise and hands-on help: Wings of Support, the KLM and Martinair staff foundation involved in almost 80 projects worldwide; Doctor2Doctor, a cooperation between the Amsterdam University Medical center and KLM Health Services, and Close the Gap. KLM monitors these projects' outputs and communicates them to donors.

KLM AirCares also supports four other NGO projects a year by encouraging its Flying Blue members to donate their frequent flyer miles or money and providing free publicity. In 2009 they notably supported Dance4Life, which combats HIV/Aids. See further www.aircares.nl

KLM is helping to develop the Global Millennium Development Scan, an application that by 2010 should allow firms to evaluate their impacts in emerging countries, their involvement in the pursuit of the MDGs and their progress compared to other firms.

Involving staff in development programs

Staff at both airlines are involved in group actions. Their own initiatives are also encouraged.

"The Friends of the Air France Foundation" comprises a network of over 1,700 staff who support the voluntary bodies funded by the Foundation through volunteer work and collecting donations. In 2008, for example, more than 1,000 mobile phones were collected from staff and the proceeds from recycling them were donated to the Action Cambodge Fronton charity.

In March 2009 KLM launched its Volunteer Plaza website designed to encourage staff to get involved in volunteer work by providing them with an online platform where people can meet and share experience. KLM's staff as well as NGO's can host their projects on the site and recruit volunteers. So far, more than 20 projects have already registered, and three NGO's have published their volunteer program. Some departments were also inspired to set up a departmental volunteer project during their annual outings. The current site, in English and Dutch, will soon be available in French.



Understanding... KLM actions in Kenya

In East Africa, the Group operates almost 40% of flights at the Nairobi hub. The cooperation with Kenya Airways has opened up many market opportunities and created jobs in the region. Several KLM development projects are directed towards Kenya among which the funding of the Lorna Kiplagat Foundation in 2008 by KLM AirCares, 12 projects led by Wings of Support, the Doctor2Doctor

structural training collaboration at Eldoret hospital, several employees' initiatives under Volunteer Plaza, and the continuation of the HIV/AIDS program.

KLM's Destination Nature contributes to the sustainable development of nature and biodiversity, part of which are the WWF project in the Kiunga Marine National Reserve project and the 2007 'Plant a Future' Campaign in Nairobi, to plant of 120,000 trees.

Air France KLM is the bridge to the world for the Amsterdam Metropolitan Area. Amsterdam is outstanding in creativity, innovation, science, financial/legal and consultancy services and, of course, trade and logistics. These are all worldwide networks. In a survey carried out by the Chamber of Commerce last year, CEOs of multinationals in these fields of business stressed that Amsterdam's international connectivity is the main reason why they located their head offices in Amsterdam. KLM has proven to be a frontrunner in aviation developments, for example with the "hub and spoke" system at Schiphol. Our region has benefited from this network. The hub system ensures efficient air travel within the largest possible network and a better use of capacity on long-haul flights. The Amsterdam Area is investing in road and railway systems and in the "Zuidas", the Amsterdam International Business hub. We expect that even under extremely tough economic circumstances, AF-KL will continue to strengthen the hub at Schiphol Airport in terms of offering smart connections to the global international business community.



Oswald Schwartz,
President, Chamber of
Commerce Amsterdam

Stakeholders	Engagement topics	Engagement pathways	Achievements 2008-09
Local communities and residents associations	Local dialogue	Working groups and events with local economic and institutional players	Participation in the Regional Forum for large companies and SMEs in the Paris Area Support of PLATO Roissy-CDG Member of the Board of the local organization of SMEs Support for Pays de Roissy-CDG organization: 65 thematic working groups Participation in Amsterdam Duurzaam, for organization fostering sustainable development of the Amsterdam region
	Better knowledge of air transport sector	Communication through "Le Courrier : Air France partenaire de l'Île de France" send to 1000 local players Meeting and dialogue	Four issues of "Le Courrier" published Dedicated mail: mail.relationsterritoriales@airfrance.fr "One town, one plane" with 23 towns around Roissy-CDG. One Air France A320 was named "Pays de Roissy-CDG" (www.unavion.fr)
	Training and local employment	Meeting and dialogue through creation and support of a local network of associations and programs	JEREMY: 159 trainees at Air France AirEmploi: 16 forums on air transport trades and training; 87 talks and eleven workshops on Air Transport activities AFMAé: 339 apprentices trained at Air France ROC Amsterdam: training of apprentices on engine and aircraft IAMA in Bamako: 1,500 staff from African firms trained each year
Airports and authorities	Local CSR regulations	Dialogue through regular meetings and participation in working groups	Air France member of CCE and CCAR of the 10 biggest French airports Two KLM employees are dedicated full time to CROS and Alders Table Participation in CSR Charter for Roissy-CDG and in Pôle d'Orly initiative. AFI ORYzon 2010 project involves developing the Orly industrial area and contributes to maintain local employment. KLM endorsement of the Transportation sector Agreement with Dutch government and airline sector parties
NGOs and institutions	Humanitarian sponsorship and sponsoring Economic development of the countries served	Support and dialogue with NGOs through financial, logistic, and human resources AF and KLM staff involvement Skills transfers Exchange of knowledge & feedback discussions on sustainable commodities and products Dialogue with representatives of emerging countries	Sponsorship of humanitarian projects supported by Air France Foundation (43 projects), Acting for life (51 projects), KLM AirCares (7 projects), and other NGOs 1,700 Air France staff members involved in "The Friends of the Air France Foundation" Creation of a platform to coordinate and enhance employee commitment: KLM Volunteer Plaza Air France's AIDA program in Africa Exchange of knowledge with three Kenyan NGOs led to the launch of the sustainable label: three gift articles developed Workshop with Third Chamber (representatives of 30 emerging countries) on topics such as sustainable label

Annexes

Note on the methodology for the reporting of environmental indicators

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

As of the 2007-08 financial year, the Group chose to have the environmental indicators (indicated by the symbols \checkmark and $\checkmark \checkmark$) verified by one of the Statutory Auditors with the highest level of assurance, reasonable assurance, for fuel consumption and CO₂ emissions ($\checkmark \checkmark$) and a moderate level of assurance for the other verified indicators (\checkmark).

Scope

Scope covered and scope N-1

For air operations, the environmental reporting consolidation scope is identical to last year and covers flights operated by Air France and its subsidiaries BritAir, Regional and CityJet and those operated by KLM and its KLM CityHopper subsidiary.

For ground operations, the environmental reporting consolidation scope is identical to last year and covers 99% of the sites in France and 95% of the sites in the Netherlands. The international outstations are not taken into account.

Air France consolidated subsidiaries are BritAir, Regional, CRMA, Sodexi, Servair and its subsidiaries and Transavia.com France. The KLM consolidated subsidiaries are KLC, KES, KCS and KHS. Transavia is excluded from the KLM reporting scope except for non-hazardous on board waste.

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

Reporting tools

The environmental indicators are collated at local level via two reporting tools, Osyris (Enablon software) for Air France and Mirage for KLM available, respectively, in each consolidated Air France and KLM subsidiary with the exception of Transavia.com France for Air France.

The quality and consistency of reporting is ensured through precise definitions of each indicator common to both Air France and KLM and available in both French and English, through user guides to contributors, as well as through consistency tests.

The consolidation of the Air France-KLM group's environmental data is carried out by the Air France environment department in the Osyris tool.

Details and methodology/ Commentary on changes

At Air France-KLM group level, the regulatory requirements and the reporting and consolidation principles are outlined in a document entitled the *Instruction Memo Environment*, which is updated annually. The assembly of data, calculation methodologies and operational consolidation are defined in procedures which are specific to Air France and KLM, but which are harmonized. Within the framework of an approach based on continuous improvement, the methodologies used for certain performance

indicators have been more precisely defined. When these changes have a significant impact on the data, comparison with the figures for previous years is not relevant. This is why, in such cases, the pro-forma change is indicated in the commentary.

Air operations

SO₂ emissions

The calculation of SO₂ emissions from air operations is based on the sulphur content of the fuel loaded, respectively, in Amsterdam and Paris-CDG, applied to all fuel used during the year by KLM and Air France.

The sharp increase in SO₂ emissions from the air operations of KLM between 2007 and 2008 is explained by the higher average sulphur content of fuel as supplied in Amsterdam during 2008.

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

This year, in order to harmonize the Air France and KLM data, the calculation methodology for the total noise energy indicator defined by the DGAC and used by Air France since 1997 was adopted by KLM. The 2007 and 2008 data are thus not comparable. The total noise energy indicator for the year 2000 has been recalculated consistent with the new methodology.

Based on the previous methodology, the total noise energy for the Air France-KLM group would have been 1,697 10¹²kJ in 2007 and 1,713 10¹²kJ in 2008, an increase of 0.9%.

NO_x and HC emissions

Two distinct methodologies are applied by KLM to calculate NO_x and HC emissions depending on the aircraft: *the fuel flow (Boeing)* methodology and the P3T3 (GE) methodology (developed by General Electric).

The 15% increase in KLM's NO_x emissions between 2007 and 2008 is explained by a change in the calculation methodology for Airbus A330s and Boeing B777-200s.

In-flight fuel jettison

An exceptional operation (less than one flight in 10,000 in 2008) 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).

Ground operations

Water consumption

The consumption of drinking water is taken into account for all ground activities. Water used on board flights is not included. The increase at Air France this year is partly explained by a leak detected in the network at one of the sites.

Consumption of iced water for climate comfort

The consumption of iced water for air conditioning fell between 2007 and 2008 following an error noticed at one site in 2007. Taking into account the revised figure, Air France group water consumption increased by 5.5%.

Consumption of DFO for climate comfort

This indicator concerns the domestic fuel consumed by Air France for climate comfort. The consumption of electricity generators is reported separately for 2007 and 2008.

Consumption of gas for climate comfort

The consumption of cooking gas in the catering activity at Servair Group, an Air France subsidiary, is included.

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

The significant change for Air France between 2007 and 2008 is linked to an error noticed at one site in 2007. Taking into account the revised figure, consumption declined by 3.6% at Air France and increased by 1.1% for the Air France-KLM group.

Emissions from ground operations

In 2008, the Air France scope was extended to electricity generators and the consumption of gas for cooking.

In 2008, the reporting scope for the Air France-KLM group's emissions from ground operations thus included emissions linked to climate comfort, ground support equipment, vehicles belonging to the company (except those of Servair), test benches, electricity generators and the consumption of gas used in cooking.

On a comparable scope (pro-forma 2008/2007), emissions from Air France's ground operations increased, respectively, by 0.5% for CO₂ and by 13% for NO_x and fell by 5.8% for SO₂.

Non-hazardous industrial waste

The waste resulting from the demolition or construction of buildings is not included in this indicator.

The fall in the indicator between 2007 and 2008 is mostly explained by the slowdown in the Cargo activity in 2008.

Hazardous industrial waste/Percentage of hazardous industrial waste recycled

The increase for Air France-KLM is explained by the improvement in the processes for reporting hazardous industrial waste within the entities.

For Air France, when the reporting tools dedicated to hazardous industrial waste do not enable its level to be monitored based on European standards, this is done on the basis of contractual clauses established with the eliminators.

Heavy metals

Since 2007, the engineering and maintenance operations of Air France and KLM have reported on seven metals (Cd, Cr, Cu, Ni, Pb, Sn, Zn) in wastewater. Heavy metals in wastewater from aircraft and buildings are not recorded.

The frequency of analysis of metals in wastewater is determined in compliance with the regulatory requirements for each site: the limited number of annual analysis and the variability of the results (linked to the level of activity at the time the samples are taken) partly explain the significant variation in metal content from one year to another.

Furthermore, the significant change between 2007 and 2008 is explained by the improvement in the quality of information obtained, notably thanks to the implementation of additional measurement points.

Environmental indicators

	Unit	Air France/KLM Group				Air France Group				KLM Group				
		2006	2007	2008	08/07	2006	2007	2008	08/07	2006	2007	2008	08/07	
Consumptions														
Consumption of raw materials: fuel √	000 tonnes	8,537	8,589	8,732	1.7%	5,479	5,504	5,511	0.1%	3,058	3,085	3,221	4.4%	
Emissions														
Greenhouse gas emissions	CO ₂ √	000 tonnes	26,914	27,075	27,506	1.6%	17,260	17,336	17,360	0.1%	9,654	9,739	10,146	4.2%
Emissions of substances contributing to acidification and eutrophication	NO _x	000 tonnes	133.5	135.0	143.5	6.3%	91.2	91.6	93.6	2.1%	42.3	43.4	49.9	15.0%
	Of which low altitude (< 3 000 ft) √	000 tonnes	8.4	8.5	8.9	4.7%	6.2	6.4	6.5	1.5%	2.3	2.1	2.4	14.2%
	SO ₂ √	000 tonnes	6.856	11,072	14,925	34.8%	4.202	9,549	10,108	5.8%	2,654	1,523	4,817	217.1%
	Of which low altitude (< 3 000 ft)	000 tonnes	0.428	0.836	1,084	28.6%	0.268	0.747	0.794	5.3%	0.180	0.089	0.290	222.2%
In-flight fuel jettison	Occurrences of fuel jettison √	Number	23	42	47	11.9%	23 *	23*	32*	39.1%	na	19	15	-21.1%
	Fuel jettisoned √	tonnes	1,758	1,443	1,804	25.0%	1,100*	809*	1,184*	46.3%	658	634	620	-2.2%
Other emissions	HC	000 tonnes	3.5	3.6	3.4	-5.5%	2.44	1.9	1.6	-15.7%	1.11	1.7	1.8	5.8%
	Of which low altitude (< 3 000 ft) √	000 tonnes	1.2	1.1	1.1	0.0%	0.9	0.8	0.8	0.0%	0.29	0.3	0.3	0.0%
Noise impact														
Global noise energy indicator** √	10 ¹² kJ	1.66	1.70	1.93	nc	1.35**	1.30**	1.27**	nc	0.31	0.40	0.66	nc	

Perimeter Air France Group: all AF flights operated by Air France, BritAir, Regional and CityJet.
na: not available.
nc: not comparable (change in the calculation method).
Perimeter KLM Group: Flights operated by KLM and KLM Cityhopper. Transavia is excluded.

√: Figures verified by KPMG for 2008 (moderate level of assurance).
√ √: Figures verified by KPMG for 2008 (reasonable level of assurance).
* Air France only.
** All AF flights, except code share.

	Unit	Air France/KLM Group				Air France Group ⁽¹⁾				KLM Group ⁽²⁾				
		2006	2007	2008	08/07	2006	2007	2008	08/07	2006	2007	2008	08/07	
Consumptions														
Water consumption √	000 m ³	1,054	1,074	1,145	6.6%	794	809	865	6.9%	260	265	281	6.0%	
Energy consumption	Electricity consumption √	MWh	393,265	425,502	417,990	-1.8%	291,802	326,561	320,991	-1.7%	101,462	98,941	97,000	-2.0%
	Energy consumption for heating/cooling	MWh	146,158	145,056	164,110	13.1%	146,158	145,056	164,110	13.1%	na	na	na	na
	Super heated, liced, water √	MWh	9,977	16,065	12,947	-19.4%	9,977	16,065	12,947	-19.4%	na	na	na	na
	DFO √	MWh	4,741	2,074	1,728	-16.7%	4,741	2,074 ⁽⁴⁾	1,728 ⁽⁴⁾	-16.7%	na	na	na	na
	Gas √	MWh	163,899	171,407	157,975	-7.8%	67,289	81,520	63,997	-21.5% ⁽³⁾	96,610	89,887	93,979	4.6%
Emissions														
Greenhouse gas emissions	CO ₂ √	tonnes	75,238	79,388	89,833	13.2%*	31,649	36,211	43,357	19.7%*	43,689	43,176	46,476	7.6%
Emissions of substances contributing to photochemical pollution	Emissions of volatile organic compounds √	tonnes	187 ⁽⁶⁾	123	142	15.4%	128	71	91.7	29.2%	59	52	50	-3.8%
Emissions of substances contributing to acidification and eutrophication	NO _x √	tonnes	178	784	890	13.5%*	na	521	610.5	17.2%*	178	263	279	6.1%
	SO ₂ √	tonnes	3	14	27	92.9%*	na	12.4	21.2	71.0%*	3	1.6	5.3	231.3%
Waste														
Waste production	Quantity of non-hazardous industrial waste √	tonnes	42,316	69,176	61,054	-11.7%	25,382	50,720 ⁽⁷⁾	43,237 ⁽⁶⁾	-14.8%	16,934	18,455 ⁽⁶⁾	17,817	-3.5%
	Quantity of hazardous industrial waste √	tonnes	5,465	5,520	6,084	10.2%	4,286	4,455	5,006	12.4%	1,178	1,065	1,078	1.2%
	% of hazardous industrial waste recycled √	%	27%	54%	48%	-11.1%	24%	47%	40%	-14.9%	32%	84%	84%	0.0%
Effluents														
Effluents contributing to acidification and eutrophication	Nitrogen compounds	kg	9,119 ⁽⁸⁾	268	7,030	nc ⁽⁵⁾	6,646	52	6,890	nc ⁽⁵⁾	2,472	217	140	-35.5%
	Phosphorus compounds	kg	489 ⁽⁸⁾	121	1,659	nc ⁽⁵⁾	484	109	1,658	nc ⁽⁵⁾	5	12.3	1.24	-89.9%
Heavy metals	Heavy metals (Cd, Cr, Cu, Ni, Pb, Sn, Zn) √	kg	51 ⁽⁸⁾	22	144	nc ⁽⁵⁾	48	19	141	nc ⁽⁵⁾	3.3	2.47	2.9	17.4%

√: Figures verified by KPMG for 2008 (moderate level of assurance).

* The perimeter has changed for Ground Emissions of Air France group. Emissions due to power generators and cooking gas consumption are included.

na: not available.

nc: not comparable (change in the calculation method).

(1) Air France and subsidiaries: Regional, Britair, Transavia.com France, Servair Group, Sodexi, CRMA.

(2) KLM and its subsidiaries: KLC, KES, KCS, KHS (Transavia is not included).

(3) This variation comes from an error in the gas consumption data noticed on a site in 2007.

With the corrected data, the variation for 2008/2007 is -3.6%.

(4) DFO consumption for power generators reported separately in 2007 and 2008.

(5) The data concerning effluents have been made more precise due to the set up of new measurement points.

(6) Waste from the construction/demolition of buildings is not included in this indicator.

(7) This variation comes from an extension of Servair reporting scope to its catering activity in France outside the Paris basin and to its cabin cleaning activity outside Paris.

(8) Figures on a IATA year basis for Air France.

(a) Nitrates only.

(c) Phosphates only.

(d) Heavy metals taken into account: Cr, Cd, Cu, Ni, Pb.

Note on the methodology for the reporting of social performance 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 social performance indicators were defined in order to comply with the requirements of the French New Economic Regulations law (*Nouvelles Régulations Économiques, NRE*, May 15, 2001) and European Regulation (EC 809/2004).

As of the 2007-08 financial year, the Group chose to have the social indicators (indicated by the symbol √) verified by KPMG, one of the Statutory Auditors, with a moderate level of assurance.

Reporting scope

The Air France-KLM Group social reporting consolidation scope covers 90% of Group employees. This includes employees working for Air France in continental France, the French overseas territories and internationally; the employees of KLM in the Netherlands and internationally; the majority of the subsidiaries of Air France and KLM over which the Group has at least 50% control and whose acquisition dates back at least one full year.

- Air France consolidated subsidiaries: AFSL, BritAir, Blue Link, CityJet, CRMA, Regional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexo, representing 71% of the employees of the Air France group subsidiaries. The reporting scope for the Air France group subsidiaries was unchanged between 2007 and 2008.
- KLM consolidated subsidiaries: CSC India, Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Ground Services Limited, KLM UK Engineering Limited, KLM Cityhopper UK and BV, Transavia and KCS (KLM Catering Services), representing 96% of the employees in the KLM group subsidiaries. The KLM group reporting scope increased by 11% between 2007 and 2008, with the integration of two new subsidiaries, CSC India and KLM UK Engineering Limited.

The reporting period is based on the calendar year to ensure consistency with the social balance sheet (*Bilan social required by French regulation*) of French companies. Note that the reporting of financial information is based on the IATA year (April 1 to March 31).

Reporting tools

The indicators are collated and consolidated using the Osyris reporting tool developed by Enablon and deployed across the entire reporting scope. The quality and consistency of reporting is ensured through the inclusion within Osyris of precise definitions of each indicator in both French and English, through a user guide to contributors, as well as through consistency tests.

The consolidation of the Group's social data is carried out by the Air France sustainable development department, within the Organization and Sustainability Division.

Details and methodology/ Commentary on changes in the indicators

At Air France-KLM group level, the guidelines for the social performance indicators and the scope are established in an instruction memorandum approved by the Statutory Auditors.

Table of the consolidated data on Air France-KLM employees

This table comprises 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

Are reported the number of employees working for the Group on both permanent and fixed-term contracts at December 31 in the reference year.

The 0.5% increase in the number of consolidated employees within the Group between 2007 and 2008 is due to the recruitment of flight crew to cover the needs in this area and to the change in reporting scope. The integration of CSC India and KLM UK Engineering Limited contributed 679 additional employees. On a constant reporting scope, the number of employees fell by 0.2%.

Recruitment on permanent contracts (CDI)

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

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

Departures

The total number of departures in 2007 included departures for reasons other than those detailed in the NRE social table which means that the total number of departures and the total departures indicated by reason are not comparable.

The number of redundancies in 2007 is explained by the outsourcing of the KLM Facility Services department to Sodexo.

Percentage of women; Organization of working time

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

Other social data

The indicators shown in these 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 Air France and KLM subsidiaries are presented separately for the same reasons.

These indicators are consolidated at the level of the following entities:

- Air France, comprising continental France, the French overseas territories and international staff
- The Air France subsidiaries comprising AFSL, Britair, CRMA, CityJet, Regional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexo
- KLM in the Netherlands, excluding international staff
- The KLM subsidiaries: CSC India, Cynific, KES (KLM Equipment Services), KHS (KLM Health Services), KLM Ground Services Limited, KLM UK Engineering Limited, KLM Cityhopper UK and BV, Transavia and KCS (KLM Catering Services)

Health and safety - absenteeism

Cases of barometric otitis and lumbago are recorded as workplace accidents in France and represent 40% of the workplace accidents reported by Air France, whereas they are recorded as sick leave by KLM, pursuant to Dutch law.

Air France only records accidents involving time off work, pursuant to French law, whereas KLM records accidents not involving time off work wherever they meet the criteria enabling them to qualify as an accident in the workplace.

The frequency and severity rates are calculated based on theoretical working hours for each employee in the two companies.

In 2008, the method for calculating the theoretical hours worked was changed for flight crew in order to take into account the hours of 'commitment' corresponding, for these employees, to

the real number of hours of exposure to professional risks within the framework of their activity on the ground and in the air.

The frequency and severity rates of the KLM subsidiaries are calculated without the Transavia and KLM Ground Services limited subsidiaries.

In 2007, Air France deployed a new system for monitoring days of absence due to workplace accidents. Due to an operational problem during the deployment phase, the company is unable to report the severity rate for 2007.

The system implemented by KLM for recording the number of days lost to absenteeism does not yet include data on the days lost due to workplace accidents.

Training

KLM does not yet have a centralized reporting system for training since the disclosure of this information is not required by Dutch law. However, the company is currently deploying such a system.

For Air France, the number of training hours for ground staff declined by 7% between 2007 and 2008 due to the reduction in recruitment in 2008, leading to a fall in training for new arrivals.

For cockpit crew, the change in the training rate is explained by a change in the calculation method in 2008 (switch from calendar day to working day basis). On a constant methodology basis, the number of training hours increased.

The training indicators for Air France subsidiaries are calculated for the following scope: BritAir, CRMA, Regional, Servair Group (ACNA, Bruno Pegorier, OAT, Servair SA) and Sodexo.

Number of disabled employees

For Air France, the numbers of disabled employees reported are those for whom a valid certificate, pursuant to French law, is available, whatever their ability to perform the tasks involved in their position.

The reporting scope was extended to all employees in 2008. This change in scope had no impact on the data.

The number of disabled employees at Air France fell between 2007 and 2008 due to employees retiring, not all of whom were replaced.

The number of disabled employees in subsidiaries of the Air France group significantly increased due, particularly, to the recruitment of 11 disabled employees by the Servair Group in 2008.

For KLM, an individual is considered to be disabled when having a lasting impairment resulting in not being able to perform his job or a job at the same level of income.

This requires the employer and employee to seek a job on a salary level as high as achievable and entitles the employee governmental benefits.

Due to a change in Dutch law, the number of disabled employees at KLM declined between 2007 and 2008.

Health and safety

The absentee rate for accidents in the workplace for Air France is calculated on the basis of the workplace accidents occurring in 2008.

Workplace accidents

Air France and KLM regret the workplace fatalities during 2008. Information on the action plans that have been implemented to ensure better prevention of accident risks is provided in the social section of this report.

Social indicators

Consolidated NRE social data for Air France-KLM group

NRE social data 2008	Air France-KLM Group				Air France Group*				KLM Group**			
	2006	2007	2008	08/07	Total AF group		of which AF		Total KL group		of which KL	
Headcount at 31/12 (permanent contracts and fixed-term contracts)					2007	2008	2007	2008	2007	2008	2007	2008
Total staff ✓	111 092	110 369	110 878	0.5%	74 959	74 320	63 598	63 010	35 410	36 558	29 831	30 266
• Ground staff	77 300	76 177	75 668	-0.7%	53 798	52 592	44 649	43 529	22 379	23 076	18 708	18 700
• Cabin crew	24 987	25 545	26 308	3.0%	15 728	16 209	14 648	15 106	9 817	10 099	8 506	8 794
• Cockpit crew	8 805	8 647	8 902	2.9%	5 433	5 519	4 301	4 375	3 214	3 383	2 617	2 772
Staff under permanent contract ✓	N/A	103 772	104 601	0.8%	71 416	71 586	61 459	61 002	32 356	33 015	28 143	28 390
Recruitment under permanent contract												
• Ground staff		3 012	2 594	-13.9%	2 593	1 927	1 940	1 356	419	667	385	483
• Cabin crew		931	995	6.9%	843	834	833	797	88	161	50	141
• Cockpit crew		566	691	22.1%	325	435	188	310	241	256	238	200
Total ✓		4 509	4 280	-5.1%	3 761	3 196	2 961	2 463	748	1 084	673	824
Leavings												
• Ground staff		5 161	4 804	-6.9%	2 960	2 920	2 411	2 366	2 201	1 884	1 465	1 114
• Cabin crew		1 121	1 047	-6.6%	339	323	259	253	782	724	214	202
• Cockpit crew		342	355	3.8%	248	295	141	191	94	60	57	43
Total leavings ✓		6 624	6 206	-6.3%	3 547	3 538	2 811	2 810	3 077	2 668	1 736	1 359
• Resignation ✓		2 611	3 011	15.3%	1 169	1 250	765	877	1 442	1 761	857	961
• Redundancy (incl. Economic) ✓		1 118	1 208	8.1%	605	650	326	367	513	558	513	73
• Retirement ✓		2 018	1 852	-8.2%	1 666	1 540	1 624	1 484	352	312	333	295
• Death ✓		143	135	-5.6%	107	98	96	82	36	37	33	30
Percentage of women at 31/12 ✓		42.7%	42.9%	0.4%	42.6%	43.0%	44.2%	44.4%	43.1%	42.6%	42.3%	42.5%
• Ground staff		37.1%	37.0%	-0.4%	39.6%	40.0%	41.1%	41.1%	31.2%	30.4%	29.2%	29.1%
• Cabin crew		72.3%	72.2%	-0.1%	65.6%	65.5%	64.7%	64.8%	83.0%	82.9%	83.0%	82.9%
• Cockpit crew		5.3%	5.5%	2.8%	5.8%	6.0%	6.2%	6.4%	4.6%	4.7%	4.1%	4.3%
Part time employment at 31/12												
• Percentage of female part-time employees ✓		39.7%	39.9%	0.5%	31.1%	31.4%	33.7%	33.6%	55.7%	57.3%	60.0%	60.7%
• Percentage of male part-time employees ✓		9.5%	10.1%	6.5%	7.5%	7.7%	8.0%	8.2%	13.7%	14.9%	14.0%	15.0%
Percentage of part time employees ✓		22.2%	22.9%	3.0%	17.6%	17.9%	19.4%	19.5%	31.8%	33.0%	33.2%	34.4%

Other social data for Air France group

Air France in Continental France, the French overseas territories and international staff*			
Absenteeism	2007	2008	08/07
Due to illness			
• Ground staff ✓	2.6%	2.6%	1%
• Cabin crew ✓	4.9%	4.5%	-8%
• Cockpit crew ✓	2.0%	1.8%	-9%
Due to work accidents			
• Ground staff ✓	0.4%	0.4%	3%
• Cabin crew ✓	0.8%	0.8%	3%
• Cockpit crew ✓	0.2%	0.2%	-5%
Maternity leave			
• Ground staff ✓	0.8%	0.7%	-8%
• Cabin crew ✓	1.1%	2.0%	88%
• Cockpit crew ✓	0.1%	0.2%	90%
Health and safety			
Total industrial accidents ✓	2 812	2 586	-8%
Number of fatal workplace accidents ✓	1	2	
Industrial Injury Frequency rate ✓	30.68	27.62	-10%
Severity rate of industrial accidents ✓	N/A	0.98	
Training			
Percentage of total payroll devoted to training ✓	10.8%	10.4%	-4%
• Ground staff ✓	6.7%	6.4%	-4%
• Cabin crew ✓	10.8%	10.4%	-4%
• Cockpit crew ✓	20.0%	19.1%	-5%
Number of training hours per employee ✓	54	45	-17%
• Ground staff ✓	37	34	-7%
• Cabin crew ✓	48	40	-16%
• Cockpit crew ✓	229	177	-23%
Participation rate (number of agents trained/workforce) ✓	95%	94%	0%
• Ground staff ✓	91%	92%	0%
• Cabin crew ✓	100%	100%	0%
• Cockpit crew ✓	100%	100%	0%
Disabled staff			
Total staff with disabilities ✓	1 489	1 444	-3%
Ratio of disabled staff (under French law) ✓	3.10%	3.14%	1%
Total staff with disabilities recruited during year ✓	38	31	-18%
Collective agreements	11	23	

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

Air France Subsidiaries (1)			
Health and safety	2007	2008	08/07
Total workplace accidents ✓	989	897	-9%
Disabled staff			
Total staff with disabilities ✓	235	290	23%
Total staff with disabilities recruited during year ✓	4	18	350%
Training			
Participation rate (number of agents trained/workforce) ✓	92%	85%	-7%
• Ground staff ✓	86%	89%	3%
• Cabin crew ✓	88%	94%	7%
• Cockpit crew ✓	99%	99%	0%
Number of training hours per employee ✓	31	26	-15%
• Ground staff ✓	19	19	0%
• Cabin crew ✓	51	42	-19%
• Cockpit crew ✓	87	81	-7%

Other social data for KLM group

KLM*			
Absenteeism	2007	2008	08/07
Due to illness			
• Ground staff ✓	5.7%	5.3%	-7%
• Cabin crew ✓	5.8%	6.1%	5%
• Cockpit crew ✓	4.2%	3.8%	-10%
Maternity leave			
• Ground staff ✓	0.4%	0.2%	-50%
• Cabin crew ✓	2.0%	1.5%	-25%
• Cockpit crew ✓	0.1%	0.1%	0%
Health and safety			
Total industrial accidents ✓	1 098	1 067	-3%
Number of fatal workplace accidents ✓	0	1	
Industrial Injury Frequency rate ✓	22.74	21.66	-5%
Severity rate of industrial accidents ✓	0.17	0.12	-29%
Disabled staff			
Total staff with disabilities ✓	902	755	-16%
Collective agreements	3	0	

* KLM: data concerns KLM without international staff.

KLM Subsidiaries (2)			
Health and safety	2007	2008	08/07
Total industrial accidents ✓	156	166	6%
Number of fatal workplace accidents ✓	0	0	0%
Industrial Injury Frequency rate ✓	27.35	22.33	-18%
Severity rate of industrial accidents ✓	0.19	0.07	-63%

* Air France: Air France in Continental France, the French overseas territories and international staff;

Air France group: Air France and Air France subsidiaries.

** KLM: KLM in the Netherlands and international staff;

KLM group: KLM and KLM subsidiaries.

(1) Air France subsidiaries: AFSL, BritAir, Blue Link, CRMA, City Jet, Regional, Servair group (ACNA, Bruno Pegorier, OAT, Servair SA), Sodexi.

(2) KLM subsidiaries: Cynific, KES, KHS, KLM Ground Services Limited, KLM Cithopper (UK and BV), Transavia, KLM Catering Services, CSC India, KLM UK Engineering Limited

✓: indicators verified by KPMG for 2008 (moderate level of assurance)

One of the Statutory Auditors' Report on a selection of Environmental and Social Indicators of Air France KLM Group for Year ended December 31, 2008

In accordance with the assignment entrusted to us and in our capacity as statutory auditors of Air France-KLM S.A., we have performed certain review procedures which enable us to provide:

- a reasonable assurance on the indicator related to CO₂ emissions from the Air France-KLM Group flight operations during the year ended December 31, 2008. Such indicator is identified by the sign √ √,
- a moderate assurance on the environmental and social indicators ("the data") selected by the Air France-KLM Group and identified by the sign √ for the year ended December 31, 2008.

Such data are disclosed in the table entitled "environmental and social information of Air France-KLM Group" both in the 2008-2009 Reference Document and in the 2008-2009 Corporate Social Responsibility Report.

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

The data have been prepared under the responsibility of the CSR Departments of the Air France-KLM Group, in accordance with the internal environmental and social reporting protocols ("the protocols"), available at Air France-KLM headquarters.

It is our responsibility to express an opinion on these indicators, based on our review.

Nature and Scope of the Review

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

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

- We assessed the protocols relevancy, reliability, comprehensibility and completeness.

- We interviewed the persons in charge of the reporting process at the parent company level as well as at the selected entities level.
- We carried out detailed test work at the selected entities. Such selected entities represent from 31 to 100 % of the consolidated environmental data and 83% of the Group total headcount for social indicators. For the selected entities, we ensured that the protocols were understood and implemented; based on a sample basis, we verified the calculations, performed consistency checks and reconciled the data with the supporting documentation.
- We audited the source data used in the calculation of CO₂ emissions from the Group's flight operations.
- We verified that the data used in the calculation of CO₂ emission from flight operations were properly derived from Air France and KLM information systems.
- We also verified, on a sample basis, the calculations and the combination of the data at Air France-KLM Group level.

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

Comments

- Both environmental and social protocols of the Air France-KLM Group are prepared on a calendar year basis, consistently with the requirements for French companies to establish their social annual reports ("Bilans Sociaux") and their annual greenhouse gases national inventories as of December 31 of each year whilst the Group's financial information is prepared as of and for the year ended March 31 of each year.
- The Group used an automated reporting tool to collect and consolidate the social and environmental data of the Group, enhancing as such the reliability and the consistency of the data collected. The functionalities of the reporting tool should nevertheless be further developed, notably in relation to the consolidation phase.

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

- Internal control procedures regarding the reported data should be implemented more stringently, particularly during the consolidation phase.

- Procedures to determine the reporting scope should be implemented more stringently in order to ensure that the reporting scope is updated prior to the reporting campaign.

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

- Due to different legal framework, certain social indicators for Air France and KLM are presented individually because their definition cannot be compared.
- Appropriate reporting tools and systems shall be implemented to improve the completeness of the data reported. For instance, safety and training indicators have not all been reported or have been reported by a limited number of entities.

Conclusion

Reasonable assurance

Based on the procedures carried out both at Air France and KLM headquarters, we consider that our test work on the calculation of the CO₂ emissions from flight operations of the Air France-KLM Group give a reasonable basis for the following opinion.

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

Moderate assurance

Based on our review, we have nothing to report that causes us to believe that the environmental and social data identified by the sign

- have not, in all material aspects, been prepared in accordance with the above-mentioned protocols.

Paris La Défense, May 29, 2009

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1 Environment: Direction Générale Industrielle Air France (Roissy and Orly), Direction Générale de l'Exploitation Air France (Roissy and Orly), Air France Cargo Roissy, Direction du Siège Air France (Roissy, Vilgénis), Servair (Servair 1, Acna Roissy), KLM Schiphol for ground operations.

Air France and its affiliates (CityJet, BritAir, Regional), KLM and KLM City Hopper for flight operations.

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

Concordance tables



Global Compact Communication on Progress

Air France-KLM established a Corporate Social Responsibility Statement which covers the ten principles of the United Nations Global Compact.

<http://sustainability.airfrance.com> and www.klm.com/sustainability

Global Compact principle	See Pages	Additional information
Human Rights (1&2)	12, 14, 38	Air France-KLM has issued different Charters: Social Rights and Ethics Charter, Sustainability Charter for suppliers, CSR statement
Labor Standards (3, 4, 5 & 6)	38-43	Air France: Charter for the Prevention of Harassment at work, Health and safety in the workplace, non discrimination audits in the recruitment process, CSR supplier audits etc. KLM has included these principles in the preamble of the Collective Labor Agreement and the KLM Management Board has issued a health & safety policy statement.
Environment (7, 8 & 9)	20-31	Financial code of ethics available on www.airfranceklm-finance.com Professional ethics code signed by all Air France buyers
Anti-corruption (10)	9-11, 14	For additional information, see http://sustainability.airfrance.com and www.klm.com/sustainability

GRI Correspondence Table

GRI 3 principles and recommendations were taken into account for the writing of this report. For more details on the position of Air France and KLM on the GRI indicators, see our websites <http://sustainability.airfrance.com> (GRI3 index) and www.klm.com/sustainability

Main chapters of the report	Pages of the report	GRI Principles									
		Strategy and Analysis	Organizational Profile	Report Parameters	Governance	Economic	Environmental	Social: Labor Practices & Decent Work	Society	Human Rights	Product Responsibility
Profile and summary	2-3		●	●		●					
Foreword	4-5	●									
Understanding the sector and the group	6-11	●	●		●	●					
Our CSR Approach	12-17	●	●		●	●					
Combating climate change	20-25				●		●				●
Minimizing our environmental impacts	26-31				●		●	●			●
Building sustainable customer relationships	32-37				●		●	●			●
Promoting a responsible human resources policy	38-43				●			●	●	●	
Driving local development	44-49				●	●			●	●	
Annexes	50-55			●	●		●	●	●	●	

List of Abbreviations

AEA	Association of European Airlines	ETS	Emissions Trading Scheme	NGO	Non Governmental Organization
AGD	Aviation Global Deal	EU	European Union	NO _x	Nitrogen oxide
AIRE	Atlantic Initiative to Reduce Emissions	FTE	Full-time equivalent	PIQ	Quality Innovation Program
ATC	Air Traffic Control	GRI	Global Reporting Initiative	Roissy-CDG	Roissy-Charles de Gaulle airport
CDA	Continuous Descent Approach	HR	Human Resources	SESAR	Single European Sky ATM Research
CO	Carbon monoxide	IATA	International Air Transport Association	UN	United Nations
CO ₂	Carbon dioxide	ICAO	International Civil Aviation Organization	VOC	Volatile Organic Compound
CSR	Corporate Social Responsibility	IPCC	Intergovernmental Panel on Climate Change		

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AIRFRANCE KLM



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