

# Corporate Social Responsibility

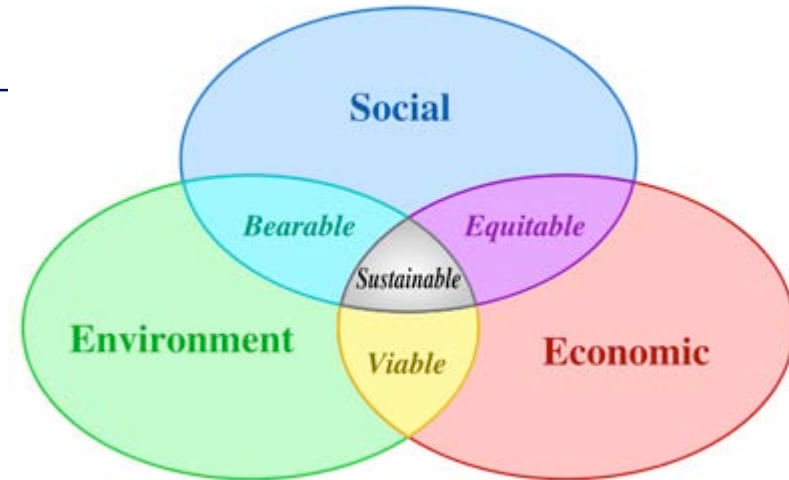
Jan Ernst de Groot, Managing Director KLM

20-09-2010

# Corporate Social Responsibility

## Definitions

### Corporate Sustainability



***"Corporate sustainability is an approach to create long term shareholder value by embracing opportunities and reducing risks deriving from economic, environmental and social developments"***

Source: © SAM research

### Corporate Social Responsibility

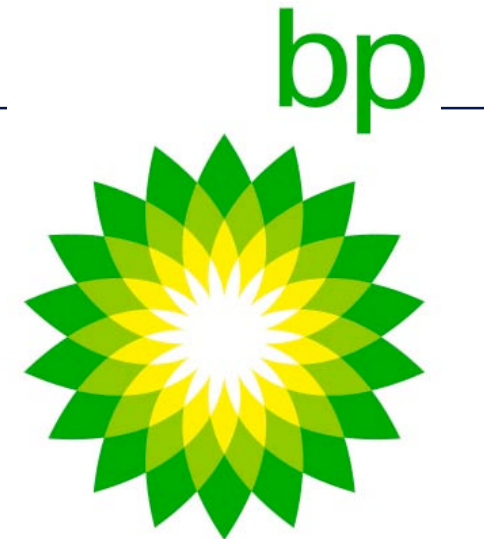
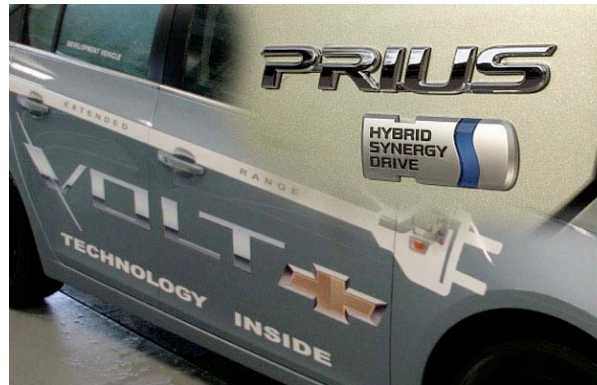
***"CSR is a commitment to improve community wellbeing through discretionary business practices and contribution of corporate resources" "***

Source: Kotler / Lee (2005)

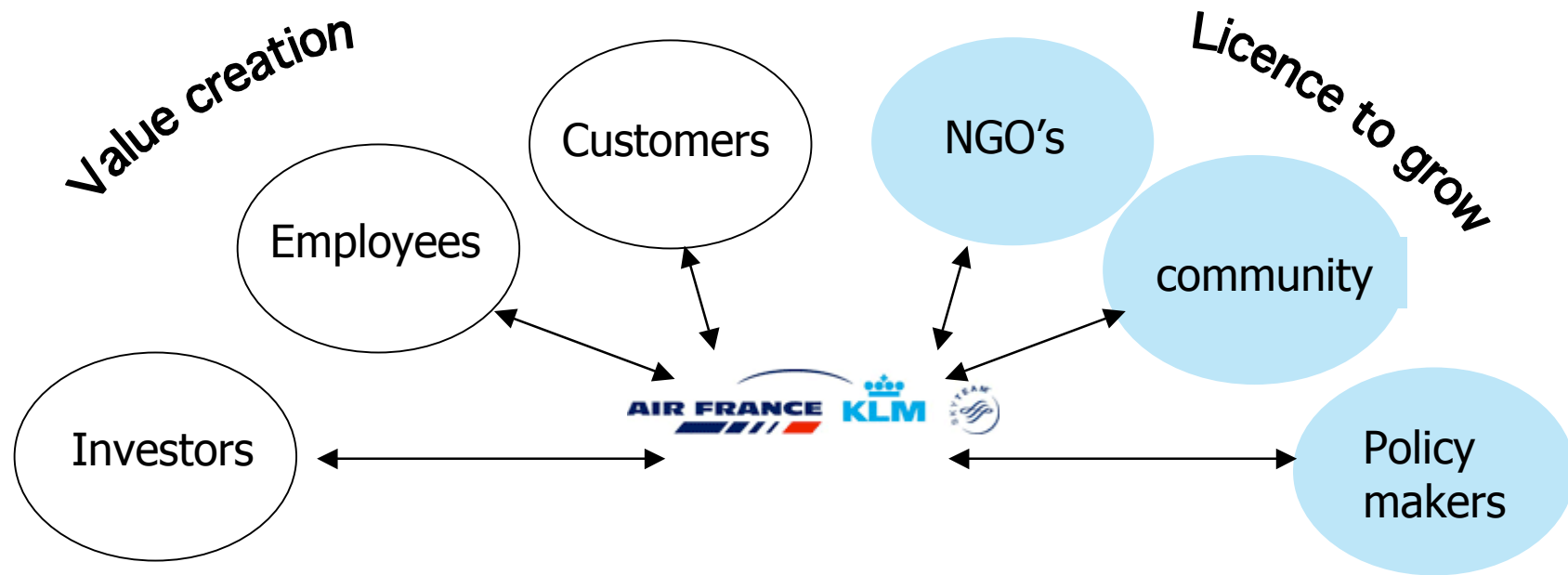
# Market standards and guidelines all over the world



# From trend to “green” brand



# CSR & Air France KLM



## Trends:

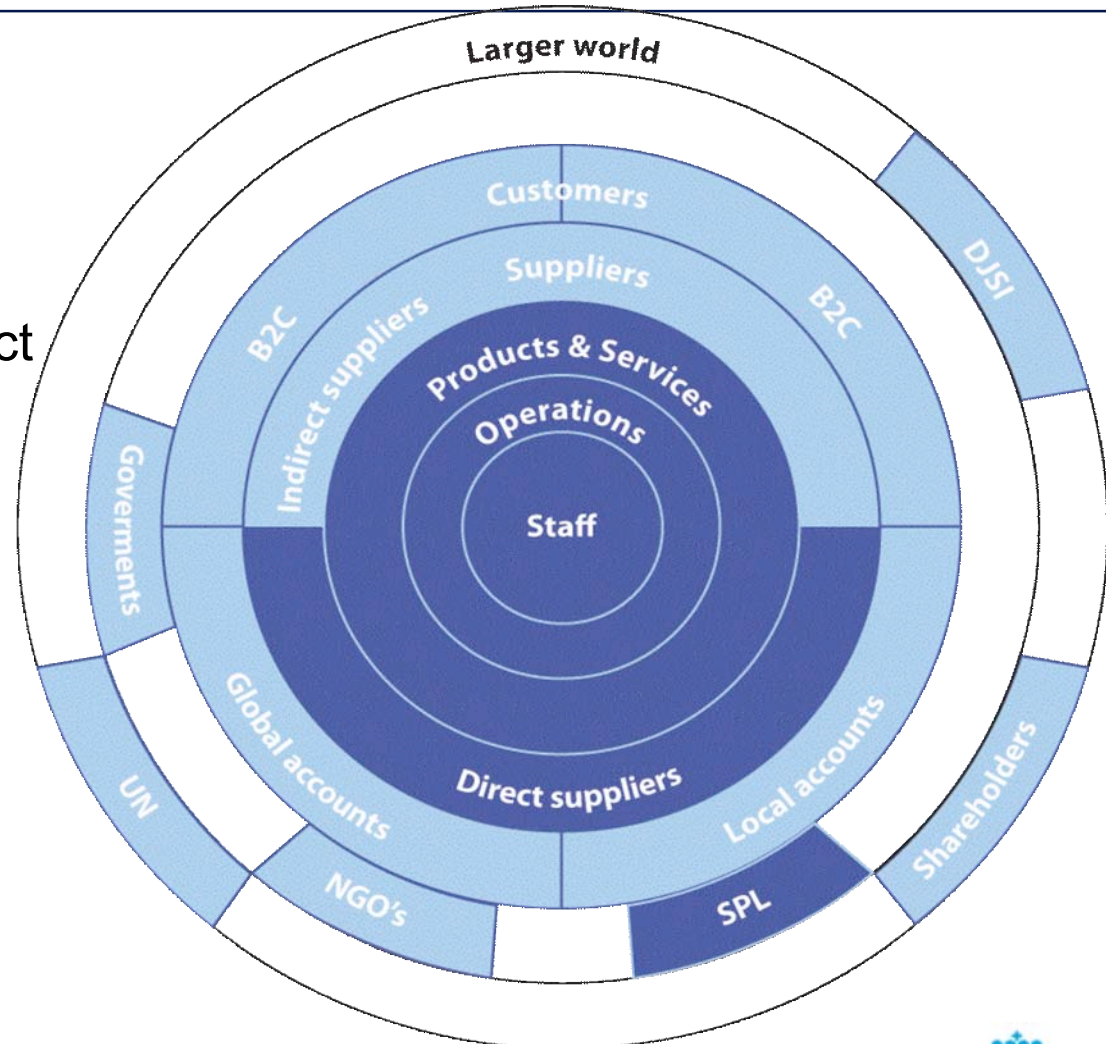
- Everything is interconnected (globalization)
- Acting pro-active in stead of reactive

## Other reasons:

- Brand reputation
- Moral obligation

# CSR initiatives where impact: Sphere of influence

- High level of impact
- Medium level of impact
- No impact



# Historic and current commitments



- 1996: 1<sup>st</sup> Environmental report
- 1999: ISO 14001 for all activities in the Netherlands
- 1995-ongoing: noise program
- 2003: Launch of Environmental best practices at outstations

- 1996: 1<sup>st</sup> Environmental report
- 2001: Social and Ethical charter
- 2003: Signature of UN Global Compact
- 2004: CSR charter for suppliers



- 2005: 1<sup>st</sup> Joint CSR report
- 2005: Number one in DJSI indexes as Industry leader until 2010
- 2006: CSR statement
- 2007: Climate Action Plan
- 2008:- Social and Ethical Charter, Group CSR charter for suppliers, Awards in France and Netherlands for CSR report & Super Sector Leader DJSI
- 2009: Lobby for Global sectoral climate policy
- 2010: Super Sector Leader DJSI

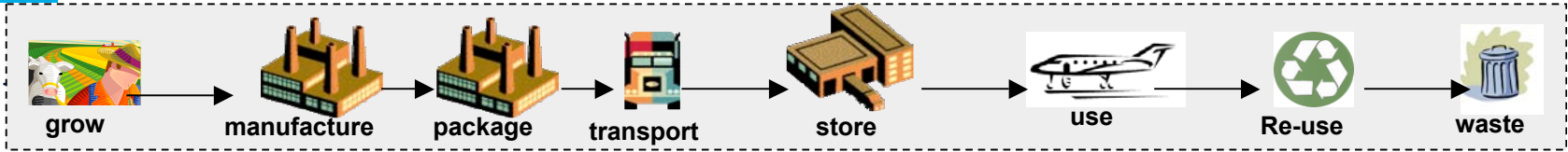


- 2006: Signature of UN Global Compact
- 2007: Partnership with WWF NL: CO<sub>2</sub> neutral growth
- 2007: CSR in strategic plan
- 2008: Destination Nature projects, Launch CO2Zero, Dialogue Event on Sustainability, start Biofuels program
- 2009: Biofuels demonstration flight, SkyNRG, Business partner of WWF-NL
- 2010: Start Waste-to-Energy pilot

- 2006: Occupational Safety Accident Prevention Charter
- 2007: CSR in strategic plan **Avision 2010**
- 2008: ISO14001 Corporate Certification, **Committing Air France** event with press and clients, Madagascar project with Good Planet and WWF
- 2009: Partner in SWAFEA European project on Biofuels, 30% reduction objective for safety at work

# Dealing with dilemmas

Supply chain



AIRFRANCE







# Reporting our five CSR key issues 2009-2010

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- Combating climate change
- Minimizing our environmental impacts
- Building a sustainable relationship with our customers
- Promoting a responsible human resources policy
- Driving local development

# Combating climate change

## Air-France and KLM national commitments

Breakdown of Air France-KLM CO<sub>2</sub> emissions



### Air France commitment at “Grenelle de l’Environnement”:

A voluntary engagement to reduce its absolute CO<sub>2</sub> emissions by 2012 (reference year: 2005) :

- Less 5% on domestic flights
- Less 20% on flights to French overseas territories
- 3,7 l /pax/100km

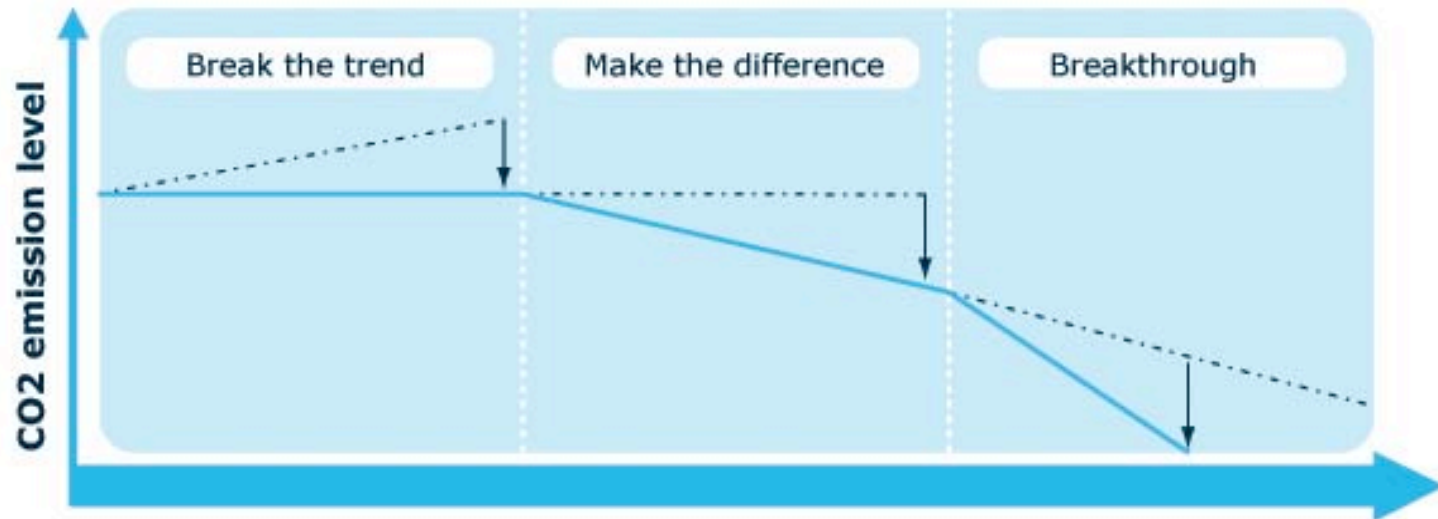
### KLM commitment to national agendas:

- Partnership with WWF Netherlands; CO<sub>2</sub> neutral growth since 2007
- Dutch Knowledge & Innovation Agenda
- Sector Agreement on Sustainability 2008-2020

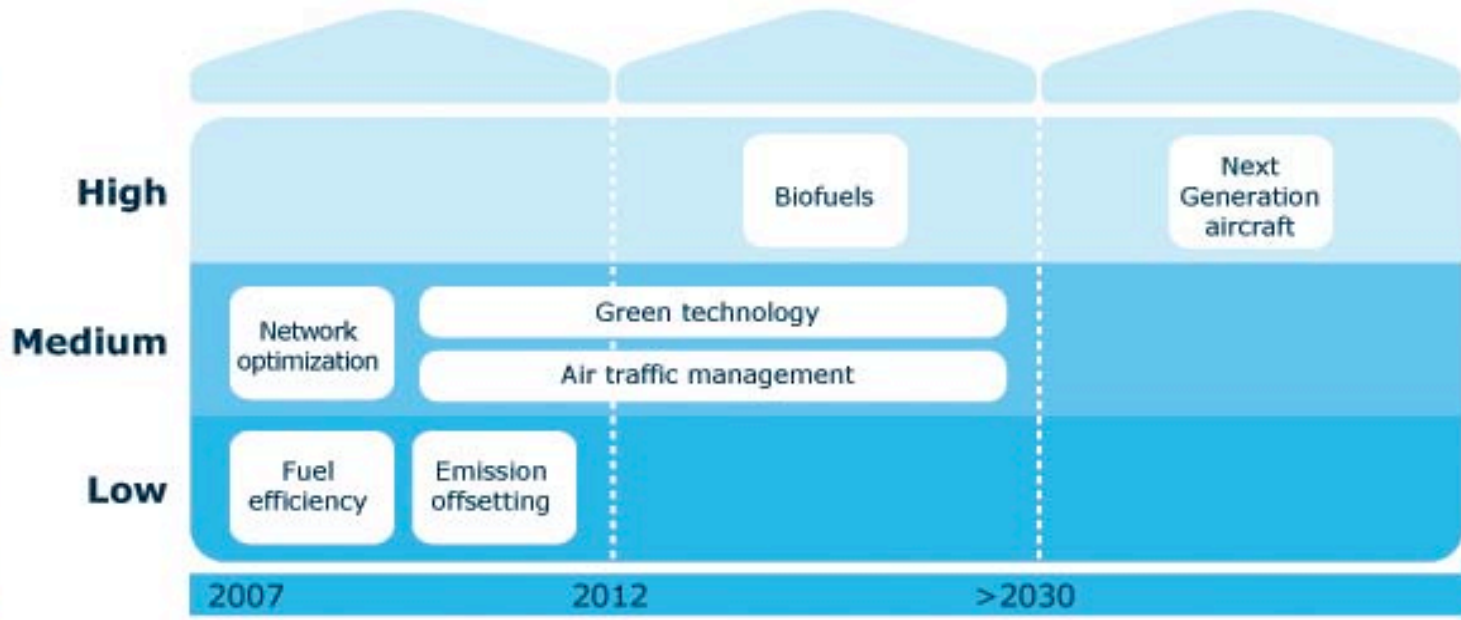
# Our Climate action plan

Alternative fuels are the key to bridge mid-term gap to breakthrough technologies

CO<sub>2</sub> targets



Enablers

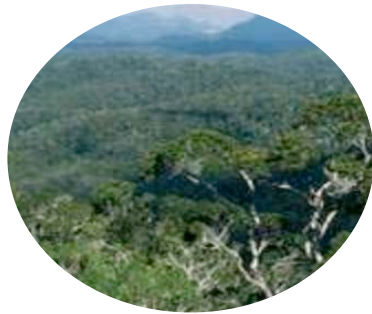


# Fruitful partnerships with NGOs

## Combating deforestation and protect biodiversity

### AIR FRANCE MADAGASCAR PROJECT:

- 500,000 hectares of protected or restored forest
- 60 to 70 million tons of CO<sub>2</sub> captured by the concerned forests



### KLM - WWF NETHERLANDS PARTNERSHIP:

- CO<sub>2</sub> neutral growth 2007-2011
- Biofuels demonstration flight & Sustainability Board SkyNRG
- Sustainable Inflight experience



Partners in CO<sub>2</sub> reduction  
and nature conservation

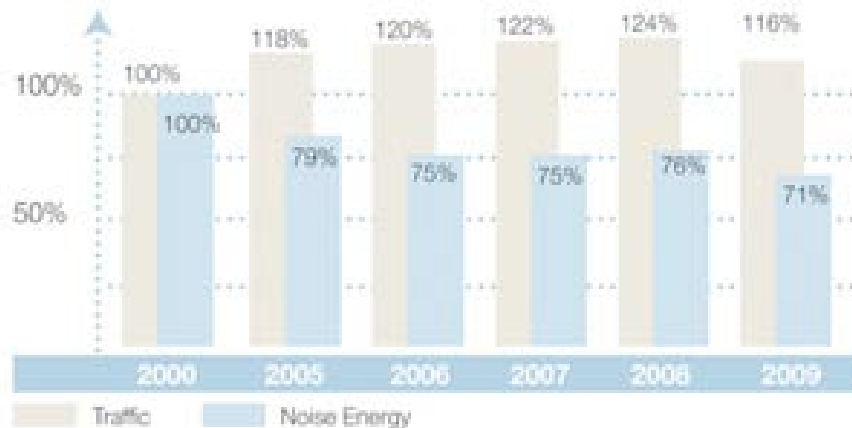


# Minimizing our environmental impacts

## Combating noise around airports

- AF-KL endorse ICAO's « Balanced approach »:
  - Reducing noise at source
  - Regulating land-use around airports
  - Adapting operational procedures
  - Implementing operational restrictions

Air France-KLM total noise energy indicator



*After a two year trial, KLM is the first airline to start implementing innovative fixed radius turns on its B737's, specifically to reduce noise*



# Building a sustainable relationship with our customers

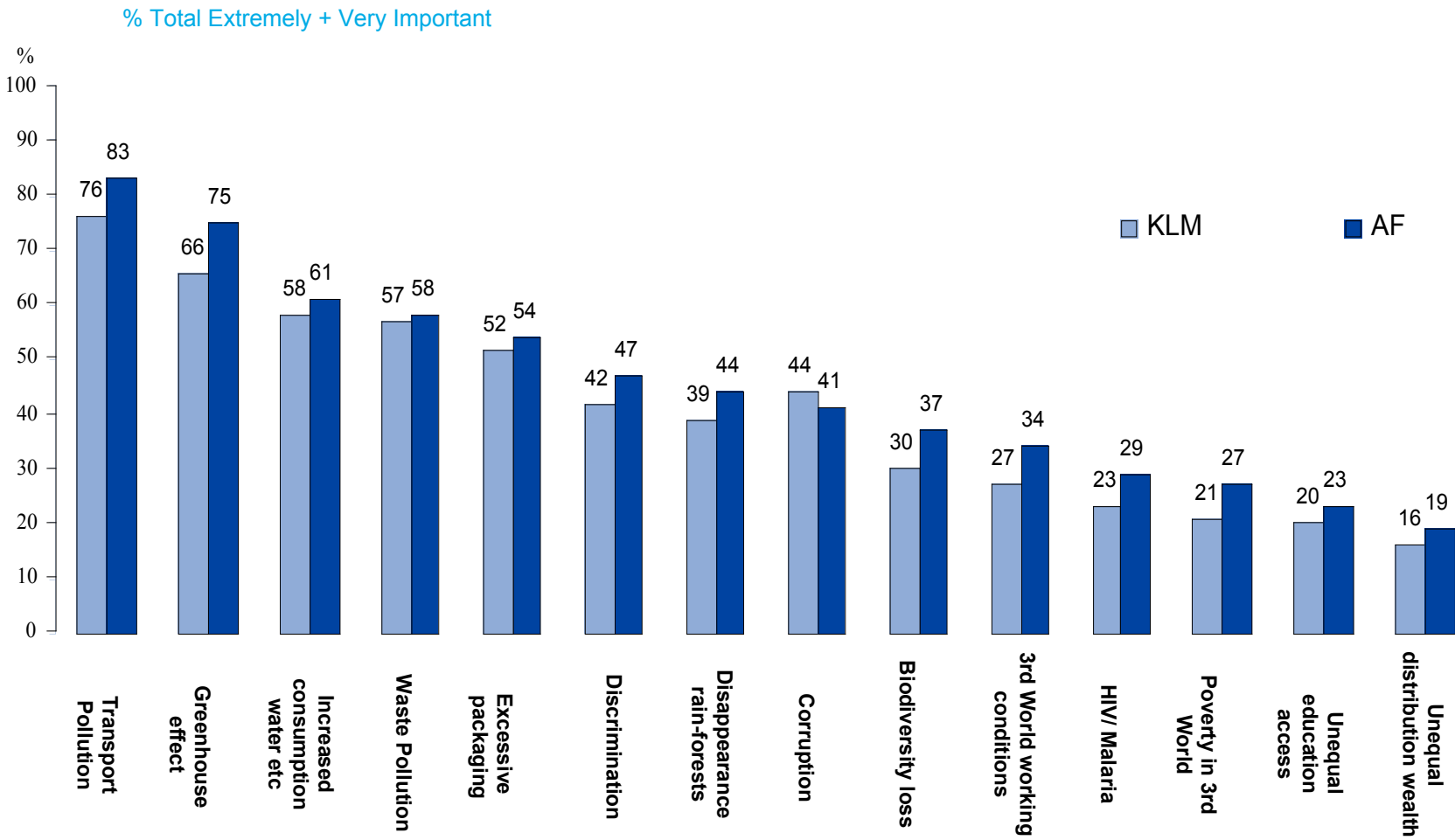
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## Safety and security: priorities for both companies

- Registered IATA Operational Safety Audit
- Flight safety management systems are based on:
  - the professionalism of all staff
  - risk monitoring and permanent feedback analyses
  - Blame-free policy that encourages staff to report
  - A permanent competencies development as a key element of flight safety:
  - 60% of cabin crew training is devoted to flight safety training
- Crisis management
  - A network of 5,000 trained volunteer staff can be contacted in an emergency
- Commitment to the 7 Service Standards



# What does the customer expect from us on CSR?

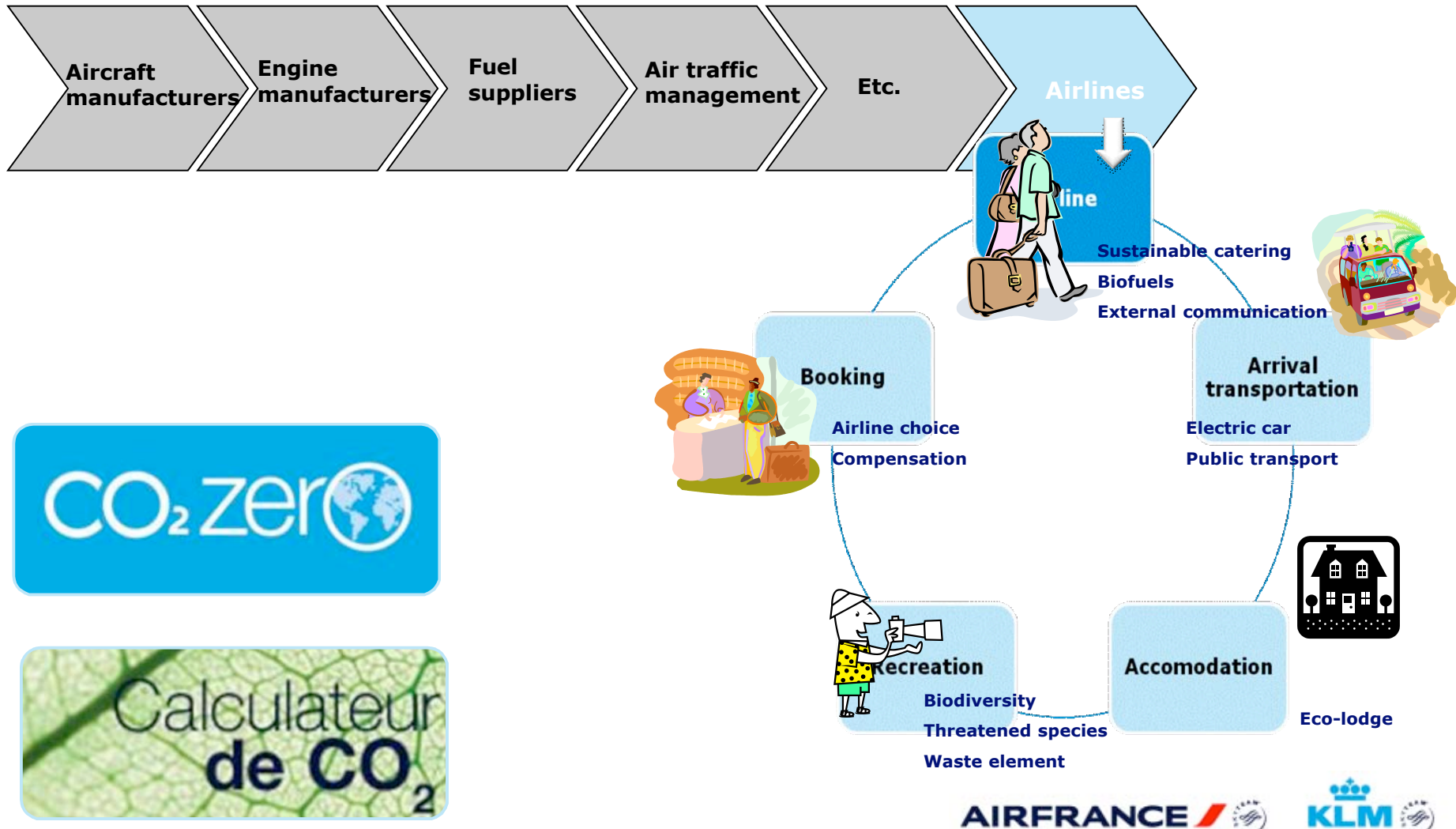


Source: CSR Passenger Survey for AF and KL - 2009



# How to involve our customers?

## Creating Customer Value





# Promoting a responsible HR policy : limiting the impact of the economic crisis on jobs

- Continuing the hiring stop
- Promoted part-time employment and mobility.
- Non-operation staff assisting temporarily in operation.
- Department at AF and KL to support professional and geographic mobility.
- Stimulating voluntary redundancies (AF)
- Launch of “Activate-your-future”-program (KL)



# Promoting a responsible HR policy : development

- Economic crisis shows the importance to remain employable and therefore being able to adjust to change.
- AFKL continued investing in training in 2009 and beyond: for employees to remain employable in their current position, to change position etc.



- Specific category: Validation des Acquis de l'Expérience (or in Dutch Erkenning Verworven competenties) aiming employees with limited formal training.



# Promoting a responsible HR policy

## diversity

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- (Gender) equality
  - Pay equalization measures (AF)
  - Mentorship for women in management roles (KL)
  - LGTB; Lesbian, Gay, Transgenders, Bisexuals network (KL)
- Senior employees
  - Specific chapter as part of the AF HR Skills Planning Agreement
  - Union agreement “LFBP” (*Levensfase Bewust Personeels Beleid*)
  - Workshop 45+ talent
- Disabled employees
  - AF had 3.5% disabled workers in 2009 therefore remaining stable provided employment within the ‘sheltered sector’ amounting to 480 jobs in 2009 and invested 3 mln. Euro.



# Promoting a responsible HR policy

## health & safety

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- Extending the number of African countries where the HIV/Aids program is implemented.
- AF signed a charter on preventing psychological and social risks.

### Occupational Safety

- AF: results on 2009 were in line with it's goal of reducing industrial injury rate by 30% since 2006. New goal is an additional 30% cut by 2011.
- KL: strong focus on diminishing occupational safety accidents. Introducing "Safety Champions" (managers with specific focus on occupational safety) and a protocol protecting employees, causing or reporting an accident, from disciplinary measures. To encourage learning from it to prevent future accidents.

# Promoting a responsible HR policy

## Joint values in the social rights and ethics charter

The Social rights and Ethics Charter set out jointly between Air France KLM and its European Works Council (AFKL EWC).

Signed in 2008 by the two CEO's and the group's subsidiaries based in Europe

The charter applies to all employees of these companies in Europe.



# Driving local development

## Fostering two-ways communication and long-term involvement at local level

Proactive dialogue with local community

- Air France contributes to local organizations for development, training and skill-sharing like [JEREMY](#), [Air Emploi](#), [Pays de Roissy](#), ...
- KLM divisions have partnership with local education centers and offers internships in maintenance in cooperation with [Dutch schools](#)
- AF provides information about its activities in « [le Courrier](#) » a quarterly newsletter for the socioeconomic and political players in the Ile-de-France region
- KLM investing in dialogue and cooperation with residents of the Schiphol area, through [CROS](#) and [Alderstable](#)



# Driving local development

## Contributing to economic & social progress

- Contributing to the economy of the countries served
  - The Group serves 236 destinations in 107 countries\*
- Supporting humanitarian & development programs
  - Air France-KLM contributions are numerous and represented 10 million € in 2008-09.



\* Source: CSR Report 0910

# Non-financial ratings rank AIR FRANCE-KLM as market leader

- **Air France-KLM an acknowledged leader in CSR**

For the **6<sup>th</sup> consecutive year**, Air France–KLM **sector leader in its category “Airlines”** in DJSI World and DJSI STOXX index

For the **2<sup>nd</sup> time**, Air France-KLM is also **super sector leader** in Leisure & Transport



CARBON DISCLOSURE PROJECT



- **Award** for the best CSR report in France and in the Netherlands in 2009
- **Verification** of the group social and environmental indicators by KPMG Audit for the second year.



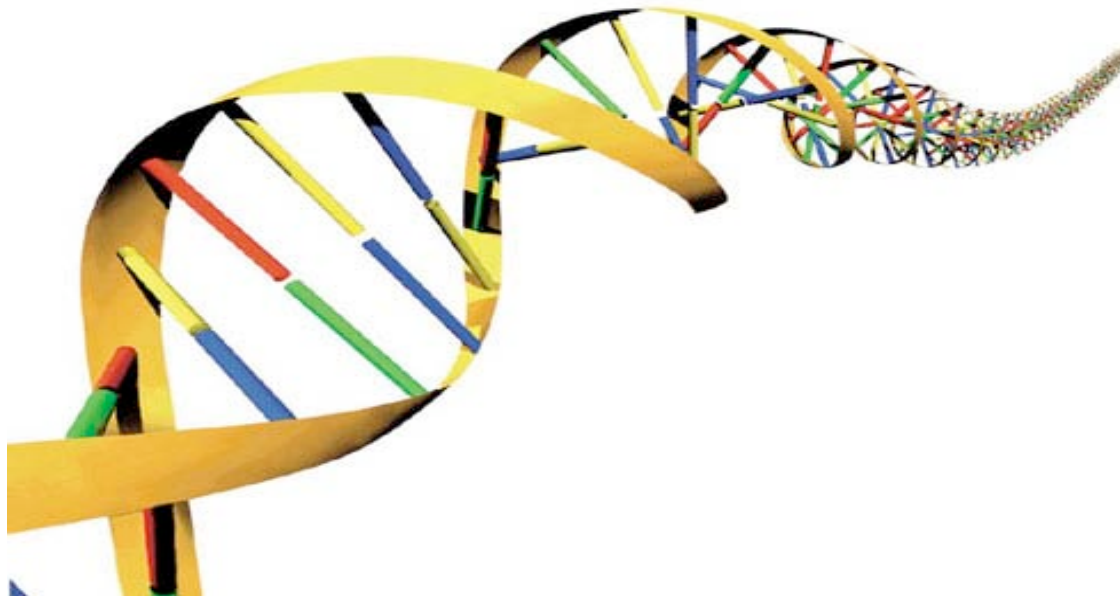


# CSR in our business DNA

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*Most things that matter can not be measured*

*by William Deming*



# Annex I

## “Triple P shift?”





## Annex II

### CSR strategy next 3 years

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***Setting the standards in CSR by further integrating CSR in our Group's business & operations, driving innovation***

With focus on:

1. Climate change:, Innovation, Regulation and Biodiversity
2. Creating Customer Value
3. Involving our staff
4. Employability & Health