

**CORPORATE SOCIAL
RESPONSIBILITY
REPORT 2018**

Risk management

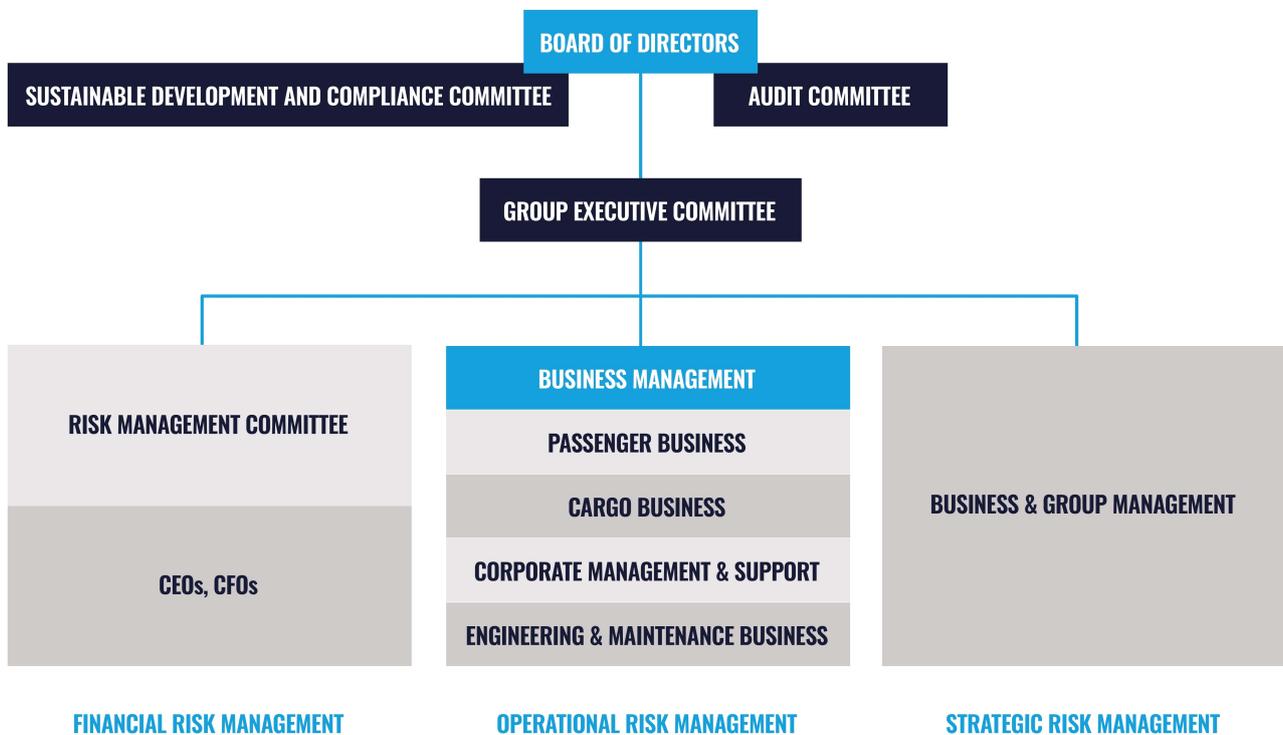
RISK MANAGEMENT

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

IDENTIFYING, ANALYZING AND MONITORING RISKS

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

AIR FRANCE – KLM RISK MANAGEMENT SYSTEM



Every year, the Group presents the main risks to which it considers itself exposed (macro-economic and geopolitical risks, risks linked to the air transport activity, risks linked to the Group's processes

and legal risks) together with the management procedures implemented to mitigate each of these risks. Among these risks, the most important risks are linked to the environment and concern changes in environmental laws, climate change, carbon credit and noise management.

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

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

EXTRA-FINANCIAL RISKS

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

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

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

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

These extra-financial risks are permanently monitored and integrated in the Group's operational risk assessment worksheets, and are subject of measures, monitoring procedures and action plans. They are outlined in *Sections 3 "Risks and risk management" and 4 "Corporate social responsibility - Extra-financial performance declaration" in the [2018 Registration Document](#)*. This analysis will be renewed every year.

INDEPENDENT MANAGING AND CONTROLLING

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

Internal control allows top and senior management to ensure that good governance principles, as they define them, are applied throughout the Group, which helps the Group reach its objectives and

assess the feasibility of its plans. It ensures the required reliability of financial and accounting information, compliant with applicable laws and regulations.

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