



CORPORATE SOCIAL RESPONSIBILITY REPORT 2018

Working conditions and social dialogue

WORKING CONDITIONS AND SOCIAL DIALOGUE

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

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

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

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

SOCIAL DIALOGUE AND REPRESENTATIVE BODIES

Air France-KLM

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

Air France

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

representatives were consulted on, and/or informed on major issues relating to the Company's overall situation and, notably, of Air France's results and HR policy, working conditions and employment.

KLM

- In terms of social dialogue and employee issues in 2018: ten meetings of the KLM Works Council, attended by the President and Chief Executive Officer of KLM, were held.
- The KLM Works Council participated in two strategy meetings, with delegates from the Board of Directors and the Supervisory Board.
- An extensive social dialogue between the Works Council and HR was established in order to co-create a shared people vision for the future. HR translated this into a strategy which provides guidance for initiatives closely linked to this vision.
- KLM's Works Council initiated discussions with their own representatives and management on how to modernize employee participation within KLM.

NEW COLLECTIVE LABOR AGREEMENTS

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

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

For more information on these agreements, please refer to the [Registration Document 2018](#), chapter 4.

EMPLOYEE EXPERIENCE

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

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

The main themes are as follows:

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

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

Highlights of this year included:

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

EMPLOYEE PROMOTER SCORE

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

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

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