



Air France - KLM

ISIN code : FR0000031122. Rating : April 2009

General Information

Air France-KLM is an international airline company and a member of the Skyteam airline partnership. The Group was created on May 5, 2004, following Air France's combination with KLM Royal Dutch Airlines (KLM), thereby forming the world's largest airline group by turnover and second largest worldwide cargo operator in terms of revenue-tonne kilometers. The Group organizes its networks around two major hubs: Paris-CDG and Amsterdam-Schiphol. The Company's three main businesses are passenger transportation, cargo operations and industrial maintenance. The Group counts more than 100,000 employees throughout the world. Passenger transport is the Group's main business, with 74.8 million passengers carried (2007-08 financial year), a fleet in operation of 607 aircraft on 31 March 2008 and 258 destinations worldwide. The majority of the employees are based in France and the Netherlands. Both Air France and KLM continue to operate flights under their distinct brand names as subsidiaries of Air France-KLM.

CSR Profile

The Air France-KLM Group performs strongly across five of the six domains under review and its ratings remained stable compared to last rating, with even a slight improvement of its overall CSR performance. The group leads the sector within the domains of Business Behaviour, Community Involvement and Human Resources and performs strongly on Environment and Human Rights. Performance on Corporate Governance issues remains below the sector average. The independence of the Board of Directors and its various committees is below the recommended rates and the disclosure of executive remuneration issues is insufficient. For all other domains, detailed policies and extensive management systems are in place to deal with all the key CSR issues for the airline sector. The Group's reporting on social dialogue and the extent of collective bargaining illustrate a culture of interaction with trade unions on both working and employment conditions, all embedded in the "Ethics and Social Rights Charter". With regards to the issue of climate change, extensive means and programs are in place to reduce the group's fleet energy use and related emissions. In terms of managing the CSR related risks for the sector, Air France-KLM's is a top performer compared to its sector peers. CSR issues are formally reviewed at the board level and the Group's transparency level (disclosure) of CSR information is very extensive and detailed.

Executive Summary

Human Resources

Air France-KLM rates as the sector leader on human resources issues and actively addresses all of the challenges relevant to its business. The Group's reporting on social dialogue and the extent of collective bargaining illustrate a culture of interaction with trade unions on both working and employment conditions, all embedded in the "Ethics and Social Rights Charter", signed with all of its European trade unions, and by a wide range of collective bargaining agreements. The group has also allocated significant means to limit the impacts of restructuring. In terms of career management, AF-KLM has put increased emphasis on developing careers for older employees. Extensive means are put in place to deal with health and safety issues, although key performance indicators are not disclosed on a group-wide basis, but separately for AF and KLM. AF-KLM is one of the few companies who show transparency on how to deal with atypical working hours. Overall, AF-KLM's performance on human resources issues remains stable (far above average) compared to the last rating.

Environment

Air France-KLM is a strong performer on environmental issues reflecting a dedicated management

structure for environmental issues and with 100% of the Group's sites being ISO14001 certified. The Group also shows a long-standing commitment to improve energy efficiency and decreasing greenhouse gas emissions and reports well on almost all performance indicators, with above average results. Extensive means and programs are in place to reduce the Group's fleet energy use and related emissions. The average age of the Air France-KLM fleet is 9.3 years as of March 31, 2008, which is significantly younger than the world average of 11.8 years. Regarding local pollution, Air France-KLM has reduced global noise energy while the Group's number of flights worldwide has increased. Overall, the Group's performance is above average, compared to its sector peers.

Business Behaviour (C&S)

Air France-KLM has an above average performance compared to its sector peers on Business Behaviour issues. The Group scores very well on its product safety and security commitments and has thorough commitments and implementation measures on responsible contractual agreements, making its management of client issues among the best in the sector. The Group's performance in terms of passenger satisfaction has been stable over the past three years. Air France-KLM's approach to suppliers' issues (embedded in its "Procurement Charter for Sustainable Development") and anti-competitive practices is similarly comprehensive, although AF-KLM faced a minor allegation related to anti-competitive employment legislation. Overall, the Group's performance improved slightly compared to last rating, and remains far above the sector average.

Corporate Governance

Similarly to the last rating, Air France-KLM still has a slightly below average performance on corporate governance issues, compared to its sector peers, primarily because of the higher level of corporate governance standards used by the UK companies in the panel. The independence of the Board of Directors and its various committees is below the recommended rates. Disclosure of executive remuneration issues is insufficient. The Group does, however, apply some procedures, such as the incorporation of CSR risks into the internal controls system, and CSR issues were formally reviewed at board level during the last fiscal year.

Community Involvement

Air France-KLM performs above average in terms of its community involvement due to its strong commitments to social and economic development around its main operation sites and its relevant contributions to general interest causes. Developing local capacity is part of Air France-KLM's strategic engagement and the Group is one of the few companies in the sector who publish relevant and positive performance indicators. Over 280,000 direct and indirect jobs depend on Roissy-CDG operations. Amsterdam Schiphol Airport is responsible for over 120,000 jobs, 60,000 of which concern direct employment. Overall, AF-KLM's performance on community involvement increased since last rating and is far above average, compared to its sector peers.

Human Rights

Air France-KLM continues to lead the sector in terms of the extent of its commitment to freedom of association and non-discrimination measures. The Group's commitments to both principles are formalised at Group level, through agreements signed with all its European trade union partners, and embedded in its "Ethics and Social Rights Charter". Furthermore, there is clear evidence of mainstreaming of human rights values into the business culture and there is a joint monitoring of its implementation together with employee representatives.

In terms of non-discrimination, extensive equal opportunity and diversity programs are in place. Key performance indicators are disclosed, but not on a group-wide basis, which makes an assessment with sector peers difficult. AF-KLM did not face allegations related to labour rights or discrimination issues during the period under review. Overall, the Group's performance on human rights issues improved slightly since the last review, and remains above average, compared to its sector peers.

Negative criteria assessment for the company

Minor involvements in alcohol and GMO in food.

Controversies

No serious allegations detected.