

Air France-KLM Corporate Social Responsibility Report 2010-11

Clear-air turbulence

By Aleksandra Dobkowski-Joy

Air France-KLM leaves the gate with a strong declaration of sustainability, but doesn't quite reach the promised heights

In its 2010-11 corporate social responsibility report, Air France-KLM declares its ambition to be the leader in globalised sustainable air transport. This theme resounds most strongly in discussions of management approach, where the group argues that it has placed corporate responsibility at the heart of its business strategy.

A lofty claim, certainly. Yet Air France-KLM does a credible job of laying out its definition of sustainability, and then assessing and discussing its key material issues.

Sustainability for Air France-KLM is a combination of achieving profitable growth, limiting negative impacts, protecting the environment, providing customers with innovative products and services, and creating social value.

The report discusses the integration of these priorities into business operations. For example, the company embeds corporate responsibility indicators into senior managers' performance targets and pay. Sustainability risks are also incorporated into the group's three-year strategic plan.

The material issues, identified through direct stakeholder engagement and an internal "materiality test", flow from the company's definition of sustainability: combating climate change, minimising environmental impacts, building relationships with customers, promoting a responsible human resources policy, and contributing to local development. To its credit, the group identifies specific objectives and targets for each priority issue.

Clear communications

The truly distinguishing factor in this report is the clarity of presentation. Each material issue is placed within a global and local context. In discussing overall industry dynamics, the report cites the usual challenges: economics, carbon, safety and security. Also mentioned, however, are threats far from a customer's thoughts when booking a flight, including global pandemics and meteorological events. Disclosing these risks points to a strong strategic planning process.

The report also provides a detailed table of public policy positions. The group describes its stance on such policies and regulations as the European Union Emissions Trading Scheme, alternative fuels and consumer rights. Given the controversial nature of some of these discussions, it is refreshing to find a transparent disclosure of the group's approach.

Well-crafted diagrams round out the report by visually presenting complex flows of data. A particularly interesting chart shows the potential impact of various carbon reduction initiatives by the year 2050. The chart plots the impact of biofuels, fleet renewal initiatives and air traffic control investments against a baseline of no impact-reduction measures.

Another informative diagram is a customer perception matrix that plots various issues on axes representing customer awareness and issue relevance. Top issues (carbon, recycling onboard waste, and noise emissions) are amply covered in the report as well as in case studies on Air France's and KLM's respective websites.

Despite a successful presentation of information, readers may find tiresome the constant flipping between Air France and KLM performance. Like the presentation of environmental and social metrics in the reports' appendix, readers may expect to see a consolidated slate of objectives for each material issue.

Given the group's strong declaration of sustainability integration, it is surprising that it does not directly address the question of whether an airline can actually be sustainable. The report contains no projections or scenario planning of the airlines' future in an increasingly carbon-constrained world. For example, biofuels, though a promising technology, cannot possibly be produced at the right scale and cost in the near term.

Air France-KLM also issued this report against a backdrop of recovery from weak global economic conditions. The tensions caused by lower profitability and higher costs are especially evident in the employee sections of the report. Readers may be shocked to find that rather than hiring additional staff, KLM for a short while was asking pilots to pitch in as ground crew.

Rather than address this question head-on, Air France-KLM posits that job mobility allows employees to gain additional skills and thus increases their employability. The group also provides details of downsizing, including packages offered for voluntary departure and statistics on the percentage of workers moving on to other employment.

With stormy times ahead, Air France-KLM will have ample opportunity to demonstrate its commitment to sustainability. The group's future reports should further define the characteristics of a truly sustainable airline. ■



Snapshot

Follows GRI? Yes, at the A application level.

Assurance? Yes, for a selection of environmental and social indicators.

Materiality analysis? Yes, but the company's materiality process is only generally described.

Goals? Yes

Targets? Yes

Stakeholder input? Yes

Seeks feedback? Yes

Key strength: Clear and logical organisation, standard approach to each material issue.

Chief weakness: Continued split reporting between Air France and KLM on key objectives and indicators.

Pleasant surprise: Good context setting throughout, with examples from the airline industry and beyond.

The report contains no scenario planning of the airlines' future in an increasingly carbon-constrained world

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